

# **DANVILLE**

## **VIRGINIA**

### **CITY GOVERNMENT**

### **COMPREHENSIVE**

### **ANNUAL FINANCIAL REPORT**



**"A WORLD CLASS  
ORGANIZATION"**

**FOR THE FISCAL YEAR  
JULY 1, 2008 TO JUNE 30, 2009**

CITY OF DANVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
June 30, 2009

Prepared by:

The Department of Finance  
City of Danville, Virginia



**City of Danville, Virginia  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2009**

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# INTRODUCTORY SECTION



# *City of Danville Virginia*

*"A World Class Organization"*

*November 30, 2009*

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Danville:

State law requires all local governments to file, annually with the Auditor of Public Accounts, a detailed statement prepared according to the Auditor's specifications showing the amount of revenues, expenditures, and fund balances of the locality for the preceding fiscal year, accompanied by the locality's audited financial report. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Danville, Virginia for the fiscal year ended June 30, 2009.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City of Danville. The financial reporting entity includes all of the funds of the City, as well as all of its component units for which the City is financially accountable. Management assumes full responsibility for the completeness and reliability of all the information presented in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Danville. All disclosures necessary to enable the reader to gain an understanding of the City of Danville's financial activities have been included.

Goodman & Company, L.L.P., licensed certified public accountants, has audited the City of Danville's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. Tests were made of the City's internal control structure and of its compliance with applicable laws and regulations. The audit of the financial statements of the City of Danville for the fiscal year ending June 30, 2009, disclosed no material internal control weaknesses or material violations of laws and regulations.

The City of Danville is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996, U. S. Office of Management and Budget's Circular A-133, and the specifications of *Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Information related to this single audit, including a schedule of expenditures of federal awards, the

independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned cost are included in the single audit section of this report.

Governmental Accounting Standards Board Statement No. 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The purpose of the transmittal letter is to complement the MD&A and should be read in conjunction with it. The City's MD&A starts on page 22 of this report.

## **Profile of the Government**

The City of Danville was founded in 1793, chartered in 1830, and is located on the Dan River in the southern part of the state. The City covers an area of approximately 44 square miles and has a population of approximately 45,152.

The City operates under the council-manager form of government. Policymaking and legislative authority is vested in the City Council, which consist of nine members including a mayor and vice-mayor. Council members are elected at large on a nonpartisan basis to serve four-year terms. The elections are held biennially with five members being elected in one biennium and four in the next. Members of the council elect the mayor and vice-mayor from its membership. The City Council is responsible for passing ordinances, adopting the budget, appointing committee and board members, and hiring the City Manager and City Attorney. The City Manager is the chief executive and is responsible for carrying out the policies and ordinances of City Council, overseeing the day-to-day operations of the City, and appointing department heads.

The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. In addition to the general government activities, the City provides mass transit, water and wastewater treatment, gas, fiber network, and electric services. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position and results of operations and cash flows from those of the primary government, including the Danville School Board and the Industrial Development Authority.

The City of Danville's annual budget serves as the foundation for financial planning and control. The object of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Departments are required to submit requests for appropriations to the Budget Director by mid-January of each year. The Budget Director uses these requests as a starting point for developing a work budget. The Budget Director and Finance Director then present this work budget to the City Manager. Once the City Manager approves the work budget, he presents his recommended budget to the City Council by April 1 for review and deliberation. After City Council's approval, an introduction budget is prepared and presented to them by May 1. The introduction budget contains all of the changes and amendments made by the City

Council during its budget review. It is the introduction budget that is submitted for public hearing. City Council is required to adopt a final budget by June 30 each year.

Activities of the General Fund are included in the annual appropriations budget. Project-length budgets are adopted for management control for the Enterprise and Internal Service Funds. The City Manager has the authority to transfer appropriations within funds. Inter-fund transfers and appropriations from fund balance/net assets require City Council approval. The General Fund is the only governmental fund that has a legally adopted budget; therefore, a budget-to-actual comparison is provided.

## **Local Economy**

The year 2009 continued to be a year of challenges resulting from the recent recession that has impacted the global economy. Several good projects have been put on hold pending an upturn in the economy, and Danville has certainly not escaped the pain of the worst recession since the 1930s. The closing of the local Corning plant was announced during fiscal 2009, as well as the closing of Knight Celotex.

In spite of the dismal economic outlook of fiscal year 2009, the City continued to aggressively pursue projects that have already provided significant rewards in fiscal year 2010. As of October 2009, there have been a total of 534 new jobs announced and capital investment of \$429.5 million. There are several pending announcements, and we anticipate ongoing success in locating both jobs and investment in the region.

<b>Date</b>	<b>Company</b>	<b>Sector</b>		<b>Jobs</b>	<b>Inv (\$m)</b>
Jan 09	Donnachaidh	Recycle/energy	New	25	7.0
May 09	Riverside Roof Truss	Mfr/roof trusses	Expand	35	1.5
May 09	LiFeBATT	Batteries	New	5	0.0
Jul 09	White Mill Dev, LLC	Data Center	New	400	400.0
Aug 09	Batolli Sportswear	Apparel Hdqtrs	New	30	1.5
Oct 09	Japan Tobacco Int.	Tobacco prcsng	New	39	19.5
		<b>TOTALS</b>		<b>534</b>	<b>\$429.5</b>

We began the year with the announcement of Donnachaidh Associates, LLC, a green energy firm that will recycle waste materials into raw sources for bio-energy production. The company will construct a new building in Cyber Park.

An expansion announcement involving Riverside Roof Truss was tied to new ownership of the company. Although the capital investment was relatively small, this new ownership enabled the company to both retain all of the existing jobs at the facility and expand employment significantly.

Danville is committed to becoming an active participant in the green energy sectors that are emerging today. Although it is a small start-up operation, LiFeBATT, Inc. USA has moved its headquarters location to Danville from Las Vegas, and it will be occupying space



in the Tobacco Warehouse District where it will assemble and package cells into battery packs for consumption by a wide variety of users. We believe that this business has tremendous potential for growth, and we will continue to explore nontraditional ways to assist its growth.

A major announcement, that came the later part of the summer of 2009, concerned White Mill Development LLC. A former textile manufacturing plant of Dan River Inc., known as Number 8 mill, was sold to a group headed by Gibbs International of Spartanburg, SC. A major renovation of the building is currently underway, and the space will house a high-tech center within the next 18 to 24 months. Not only does this project represent one of the largest single capital investments in Danville's history, it will provide employment to a level that will impact the demographics of the region and have a profound impact on the prosperity of the downtown sector of the city.

Another business coming to the downtown area is Batoli Sportswear. This is a specialty sportswear manufacturer that will be doing its design and logistics management from a downtown site while supplying its finished product to both domestic and international markets. The company is minority owned, and this ownership provides a needed impetus for improved diversity among the region's employers.

The most recent announcement of a new business in Danville is Japan Tobacco International (JTI). This company represents the eighth foreign nation's involvement among Danville's businesses, and it takes advantage of longstanding skills among the local workforce. JTI will be locating in Riverview Industrial Park in a former Dan River Inc. facility, and it plans to make both a substantial investment in new processing equipment and purchase additional property adjacent to the building it has just bought.

Danville and Pittsylvania County are proceeding with the development of the Mega Park site on Berry Hill Road. This very significant investment by the City and the County is intended to make available suitable property for a very large manufacturer to locate to the region. There are few, if any, such sites available in the Commonwealth of Virginia. The Commonwealth has not been able to compete for such sizable projects as automobile assemblers because it could not offer a suitable site. Such action by the local governments corroborates the efforts being made to reinvigorate the local economy, and these efforts will continue to be made. Supporting the building of infrastructure is a strategy to provide nontraditional incentives and services to future employers, both large and small. We are actively seeking entrepreneurial early-stage companies and large, well-established entities to overcome the loss of textile, furniture, and tobacco manufacturing that has impacted us so severely.

The Institute for Advanced Learning & Research (IALR) officially opened in June 2004. The IALR represents a regional collaboration of the City of Danville, Pittsylvania County, The Future of the Piedmont Foundation, Averett University, Danville Community College, and Virginia Tech. The Institute serves as a catalyst for economic and community transformation through developing the technologies, human infrastructures, and capital necessary to participate in the innovation economy. Virginia Tech is committed to developing a handful of key research areas.

IALR, along with Virginia Tech, was selected as the first national award winner of the Peter McGrath/W.K. Kellogg Foundation Engagement Award awarded by the National Association of State Universities and Land-Grant Colleges (NASULGC). Established in 2006, the McGrath Award recognizes the outreach and engagement partnerships of four-year public universities. The award program seeks to identify colleges and universities that have redesigned their teaching, research, extension, and service functions to become even more sympathetically and productively involved with their communities. The award is named for C. Peter McGrath, who served as president of National Association of State Universities and Land-Grant Colleges from 1992-2005.

This award provides compelling validation that IALR and Virginia Tech have developed an innovative and powerful integrated model of a university/community partnership to promote the economic development of a region.

The Institute for Advanced Learning and Research received a Governor's Technology Award on September 11, 2006, at the Commonwealth of Virginia Innovative Technology Symposium 2006. The Governor's Technology Awards program honors outstanding achievements and recognizes innovative technology initiatives in the public sector throughout the Commonwealth of Virginia.

Virginia Governor Timothy M. Kaine states, "The Institute is a great symbol of the vision and innovation that have been hallmarks of Virginia for 400 years. In just a few short years, the Institute has become a critical driver of the economic revitalization occurring across Southside, and its importance to this region and to the entire Commonwealth will only continue to grow." More information on the Institute and the Danville Office of Economic Development Incentive Programs can be found at [www.discoverdanville.com](http://www.discoverdanville.com).

### **Long-term Financial Planning**

The City prepares a five-year Capital Improvements Plan (CIP), with the first year funding appropriated and the remaining four years for planning purposes only. Project appropriations for the coming year include: General Fund Capital Improvements of \$2,901,200; Sewer and Wastewater Capital Improvements of \$4,275,220; Water and Gas Capital Improvements of \$5,036,650; and Electric and Telecom Capital Improvements of \$12,031,580. A pay-as-you-go philosophy has been in effect since fiscal year 2002 for all funds other than Electric.

A regional effort between the City of Danville and Pittsylvania County has resulted in the organization of the Danville-Pittsylvania Regional Industrial Facility Authority (Authority). The Authority is responsible for creating a 330-acre technology park, known as the Cyber Park. The park has state-of-the-art infrastructure for unparalleled reliability including a High Reliability Electrical Distribution System. The Institute for Advanced Learning and Research and the Regional Center for Applied Technology and Training (RCATT) anchor the Cyber Park. In August 2005, the first private-sector investment was made in the park by EIT Inc. Since then the Authority has constructed the Research Addition, which is being leased to the IALR for private research and development. Also part of the Cyber Park is CBN Secure Technologies, Inc. and Advanced Vehicle Research Center (AVRC). CBN opened its high security production facility in early 2009. This new facility produces driver's licenses and identification cards, under the new regulations, for the Virginia Department of

Motor Vehicles. AVRC had its grand opening for its new 16,000-square-foot headquarters on August 24, 2009. This facility includes a research and design center for converting hybrid vehicles to plug-in hybrid electric vehicles. Most recently the Authority announced that Donnachaidh Associates, LLC, a company that recycles waste material and reuses it in a way that is profitable and good for the environment, would make their home in the Cyber Park, creating 25 new jobs and an investment of up to \$7,000,000. Construction of the Donnachadh facility is currently underway.

In 2005, the Authority began developing a 1,000-acre industrial park, now called Cane Creek Centre (formerly Danville/Pittsylvania County Regional Industrial Park). Yorktowne Cabinetry became the first company to locate inside Cane Creek Centre investing \$19 million and creating nearly 100 jobs thus far in their 240,000-square-foot facility. Yorktowne is a manufacturer of semi-custom cabinets. Yorktowne's first cabinet manufactured at the Cane Creek facility came off the line on March 14, 2006. In October 2006, Swedwood North America announced it would invest \$281 million to locate its first U. S. manufacturing facility in Cane Creek Centre. Swedwood North America is a furniture manufacturer and a subdivision of the IKEA Group. The company plans to create 740 new jobs over the next ten years with a nearly one-million-square-foot facility. Swedwood began manufacturing in early 2008.

The most recent collaborative effort of the Authority has been the creation of the Berry Hill Mega Park located west of Danville in the Berry Hill community of Pittsylvania County. The Authority sees this mega-site project as the next stage in their economic development efforts to transform the region and its work force. The mega site consists of approximately 3,500 acres and is in the process of being Mega Park certified. Even though this project is in its early stages, the Authority has already seen some interest from companies wanting to invest at the mega site.

Danville is also committed to preserving and increasing the quality of life for our citizens. The Crossing at the Dan fulfills several community needs that include the revitalization of the Tobacco Warehouse District (TWD), enhancing the community's "quality of life", and strengthening the educational system in the region.

The Crossing Project was proposed as a development "spark" that would lead to increased private investment in adjoining areas. Most recently, the private investment projects in the TWD have dramatically increased and are listed below:

- The Burton – a \$4 million adaptive reuse project transforming the former Davis Warehouse Number 6 into 28 market-rate condominiums with 12 unique designs. Prices range from \$149,000 - \$285,000. To date 21 units are occupied.
- Lindsay Lofts at the Dan – a \$2 million mixed-use project featuring 21 market-rate lofts with a commercial component on the ground floor. Condo prices range from \$124,000 - \$179,000. Because of the downturn in the economy and the tight lending environment, the completion date for the residential units has stalled. However, the commercial space is 100% occupied with the following tenants – Congressman Tom Perriello, Senator Jim Webb, United Way, and Zinc Total Salon.

- Lynn St. Lofts – the \$3 million mixed-use project transforming a former warehouse into 37 working-family loft apartments was completed in the spring of 2008. Currently 30 of the 37 units are occupied.
- Bridge Street Lofts – a mixed-use development featuring 70 apartments and 30,000 sq. ft. of commercial space is due to begin construction in winter 2009. The project is located in the heart of the Tobacco Warehouse Historic District.
- Horizontech – a document scanning and storage company located in the former Richmond Cedar Works building announced 100 new jobs and a capital investment of \$1.1 million in June 2007. To date, Horizontech has hired 33 new employees and invested over \$1.375 million in the Tobacco Warehouse District.
- Infinity Global Packaging – a high-end luxury packaging business in the former Carrington Conference Center announced 86 new jobs and a capital investment of \$1.65M in June 2008. Currently, Infinity has hired 25 new employees and made capital investments of over \$1million.
- White Mill Number 8 – In July 2009, the City announced the redevelopment of the White Mill Number 8 building. The 650,000 sq. ft. building was purchased by Gibbs International and will be redeveloped into a facility that will be marketed to an IT related end user. Four hundred jobs were announced with a capital investment of \$400 million. The redevelopment of this building will serve as a catalyst for future development in the Downtown and Tobacco Warehouse Historic Districts.
- Batolii Sportswear – In August 2009, Batolii Sportswear, a sportswear design and manufacturing firm, announced the relocation of its headquarters from NC to Danville. They have committed to 30 administrative jobs and a capital investment of \$1.5 million.

A community's "quality of life" indicators typically include activities such as those available at the Crossing at the Dan (i.e., trails, science centers, entertainment). The Crossing has become Danville's "hub" for entertainment and educational activities; hence, the centerpiece of the community's "quality of life" offerings.

Over 210,000 people annually visit the Crossing at the Dan Project, which includes the Danville Science Center Campus, Riverwalk Trail, Community Market, Amtrak Station, Carrington Pavilion, and the Pepsi Building. This number will surely rise because of an exciting announcement made in 2008. The Danville Science Center announced the addition of a large format theater to be constructed adjacent to its newest facility in the historic Southern Railway Administration Building. This project is funded with a \$2.3 million allocation from the Governor's Education Bond and matched with a \$1.2 million private local foundation match. Construction is expected during fiscal 2010.

There are many different organizations that partner with the City to bring quality events to downtown, such as: Danville Harvest Jubilee, Southern VA Mountain Bike Association, the

Downtown Danville Association, the Rotary Club, and a host of other local, non-profit organizations and civic clubs.

The Historic Murals of Danville Committee is one such organization that is responsible for the advocacy of public art in the Downtown Historic District. There are currently 2 murals in the district and plans are underway for the third mural, which will be tobacco themed.

A significant increase in the number of pedestrians and bicyclists has resulted from the improvements that have occurred in the area, as well as through the City's new on-street bicycle lanes. These new bike lanes are improvements to the trail system that are designed to allow for additional points of access to the Crossing, which in turn will help ensure the success of the facilities and the programs and services provided. The Southern VA Mountain Bike Association continues to partner with the City to provide and maintain over 18 miles of world-class mountain bike trails.

In order to accommodate these new investments and future projects in the TWD, the City began construction of a 400-space parking area on a Brownfield site in 2008. Completion of the lot was July 2009. This former junkyard was converted through the use of the Tobacco Commission, an EPA Brownfield Grant, and City funding. The project, having a component of the Southside Trail System crossing it, was also funded through existing Enhancement funds. Adjacent to the TWD is the Downtown Historic District, which is benefiting greatly from the success and the synergy currently underway in the TWD. Highlights include:

- Seven new businesses have opened, relocated, or expanded in the downtown in the previous 12 months.
- Two storefronts have been improved through the facade program resulting in \$40,000 in public/private improvements.

Because of the downturn in the economy and realizing that small business owners needed mentoring, the city formed a partnership with the Longwood University Small Business Development Center to provide assistance to entrepreneurs who had an interest in locating downtown. Services provided include assistance with resumes, business plans, grants, and loans.

In terms of investment, Downtown and TWD have seen over \$58 million in public/private improvements and investments over the previous 60 months. Local, state, and federal incentives play a major role in the recruitment of new projects to both districts. Incentives include:

- Facade Program - A local incentive that matches dollar for dollar up to \$10,000 for façade renovations.
- Real Estate Tax Abatement Program – A local incentive where the real estate exemption shall be equal to the increase in assessed value resulting from rehabilitation and shall be for a period of up to 5 years for commercial buildings and 15 years for residential buildings.

- Starter Loan Program - A local program that provides assistance for renovations to a building or for equipment purchases that become a fixture to the building.
- VA Enterprise Zone Program – A state of Virginia program that provides grants for job creation and building improvements.
- Local Enterprise Zone Program – A local program used to complement and enhance the state's program. Incentives include: exemption from permit fees, job grants, Industrial Investment Grant, reimbursement of tap fees, and rebates on business license fees.
- State and Federal Historic Rehabilitation Tax Credits – Tax credits for improvements made to historic structures.
- SBA Hubzone – An initiative through the Small Business Administration to promote job growth, capital investment, and economic development to historically underutilized business zones, referred to as Hubzones, by providing contracting assistance to small businesses located in these economically distressed communities.

The Utilities Department completed its 2009 biennial rate study for the City's water, wastewater, gas, and electric utilities this year. The following is a list of recommendations resulting from this 2009 Rate Study:

The City should adopt a mechanism to reflect the expected savings from Automated Metering Infrastructure (AMI) in the form of lower basic customer charges. For residential electric customers, the basic customer charge should be reduced by the following additive amounts as of the dates shown below:

<u>Effective Date</u>	<u>Monthly Rate</u>	<u>Bi-Monthly Rate</u>
July 1, 2009	\$1.00	\$2.00
January 1, 2010	\$1.00	\$2.00
July 1, 2010	\$1.00	\$2.00

For all water customers, the monthly customer charges for all meter sizes would be reduced by \$1.00 each on the same effective dates shown above for residential electric customers.

As AMI meters are installed for bi-monthly customers, these customers should be migrated to a monthly billing frequency and be billed at the regular monthly rate schedule. These installations are scheduled in the last quarter of the implementation.

The rates in all the utilities will not be increased over the two fiscal years 2010 and 2011.

In May 2009, the city completed a debt services restructuring of all the City's general obligation debt issued prior to 2005. This had a tremendous impact on Utilities especially for the water and electric fund.

In FY 2009, the contract for the operation of the Wastewater Treatment Plant was awarded to Severn Trent Environmental Services. This contract reduced the cost to the City in comparison with the prior year by 23%. In the effort to reduce costs and to become more efficient, Severn Trent will oversee a modification project for the plant, which will allow it to operate more cost effectively at current flow rates. Another project at the Water Plant was the change from a secondary to primary electric metering. This change out in metering has saved the Wastewater Fund a total of \$153,000 in Utility costs. A joint project between Public Works and Utilities Wastewater division involved the replacement of a forced main. By doing this work in-house, savings of \$30,000 were realized by the Wastewater Fund.

The Water Fund began a Distribution System Hydraulic analysis, which will determine future needs and proposed water main replacement schedules. It will also help to evaluate the infrastructure improvements to serve prospective industrial customers. This analysis was in its final stage at the year end. In the effort to reduce costs and become more efficient, LED lights were installed in the north filter room at the Water Plant. These lights will help improve visibility at night at the plant. This project is the first project of its kind in the City of Danville.

Based on regulations in 2007, the Gas Fund regained control of its gas storage. In the fall of 2008, the ruling was reversed and Danville Utilities sold all of its inventoried gas back to BP. As mentioned last year, Danville Utilities entered into a 20-year prepaid natural gas contract with MuniGas that has provided a discount on our wholesale gas purchases. This discount produced a cost savings of \$2,428,958.70 in 2009, which was passed on to our customers.

The Coleman Market Plaza was constructed in 2009. Water, Gas, and Electric were very busy in the construction of this plaza. This plaza fulfilled the vision the City of Danville had in becoming a shopping hub in the Southside area.

The Electric Fund continues to receive its electric power from American Municipal Power (AMP). Through AMP, the City of Danville continues to make progress on the construction of power generation projects. In 2009, a project for a third delivery point began. This is a three-year project. Each delivery point capacity peak load is 252 megawatts. Our system has peaked at 246 megawatts; therefore, the need to build an additional delivery point to secure the delivery of our purchased power was justified.

In May 2009, we commenced with our AMI project. This project will replace 81,434 meters in water, gas, and electric services. With completion expected around November 2010, AMI will be a benefit to both the City and the customers with such functionality as remote connect and disconnect of service. Customers will also be able to monitor their own energy usage and costs, and become more energy efficient.

Telecommunications continued to expand service to local businesses. Completion of fiber connection in all the industrial parks, city parks, and the majority of the Utilities substations was accomplished. A major focus in 2009 was the system expansion of our nDanville Medical Network to the medical community. This network supports secure, open access intranet telecommunications platforms for medical services providers. Presently Danville Regional Medical Center and nearly two dozen additional medical offices are currently being served.




## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danville for its Comprehensive Annual Financial Report (CAFR), for the fiscal year ended June 30, 2008. This was the twenty-third consecutive year the City of Danville has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

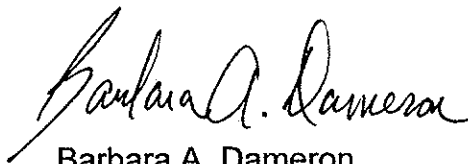
A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The timely preparation for this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for their assistance and contributions in the preparation of this report. Credit must also be given to the leadership of the governing City Council and their support for maintaining sound financial management.

Respectfully submitted,



M. Lyle Lacy  
City Manager



Barbara A. Dameron  
Director of Finance



Michael L. Adkins  
Deputy Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Danville  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



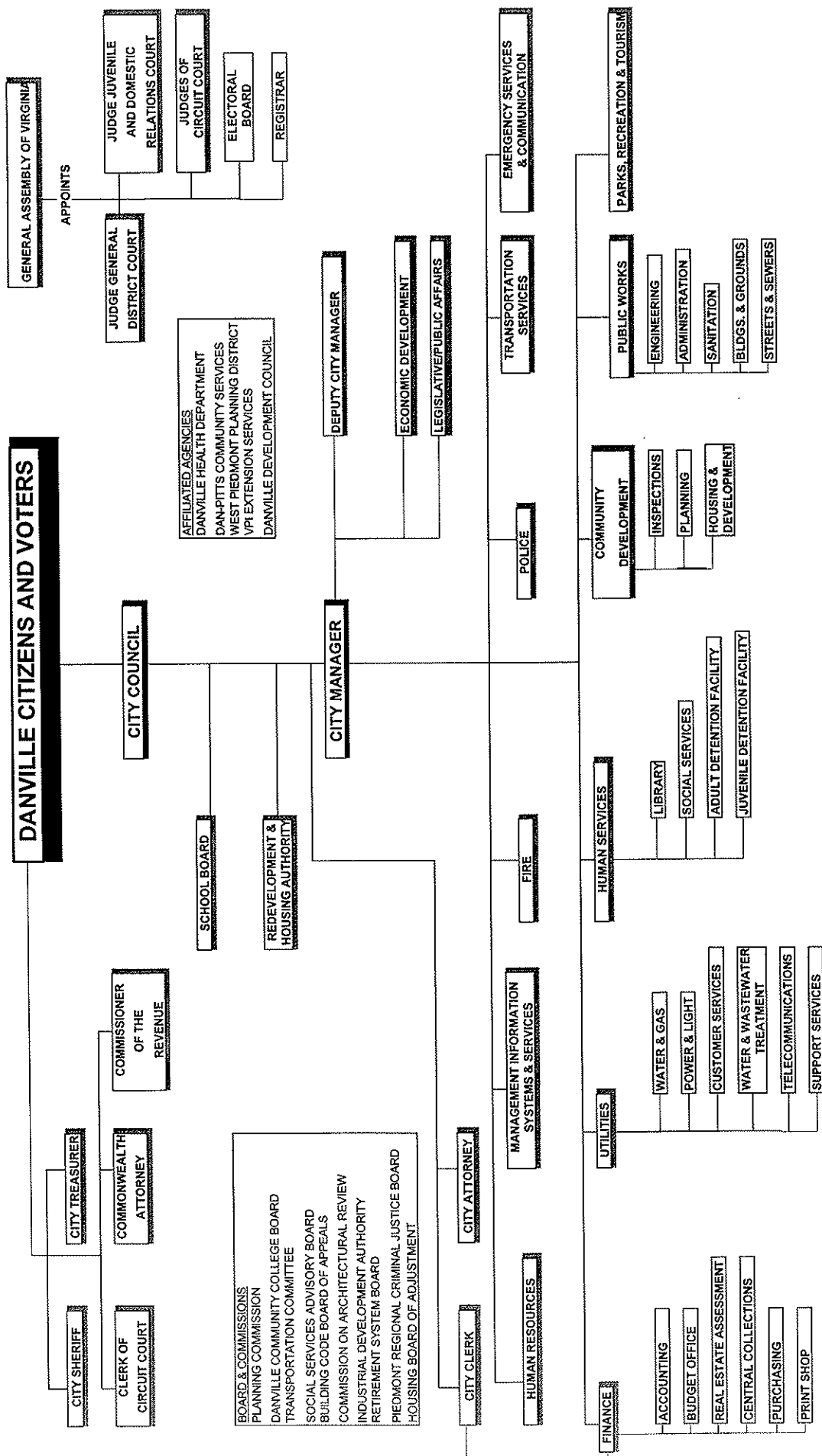
A handwritten signature in black ink, appearing to read "K. L. R. H.", written over the printed name of the President.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written over the printed name of the Executive Director.

Executive Director

## CITY OF DANVILLE, VIRGINIA



**CITY OF DANVILLE**  
**OFFICIAL DIRECTORY**

**CITY COUNCIL**

Sherman M. Saunders  
Mayor  
  
Ruby B. Archie  
  
L. G. "Larry" Campbell, Jr.  
  
T. David Luther

T. Wayne Oakes  
Vice-Mayor  
  
Gary P. Miller  
  
Fred O. Shanks, III  
  
Albert K. "Buddy" Rawley, Jr.

Adam J. Tomer

**LEGISLATIVE STAFF**

W. Clarke Whitfield, Jr.  
Annette Y. Crane

City Attorney  
City Clerk

**ADMINISTRATIVE OFFICIALS**

M. Lyle Lacy, III  
Joseph C. King  
Cynthia L. Thomasson  
Jeremy A. Stratton  
Marc D. Adelman  
Barbara A. Dameron  
Richard Drazenovich  
Gwendolyn M. Edwards  
Gerald L. Fischer  
Inez J. Harville  
David R. Eagle  
Philip A. Broadfoot  
Andrea W. Haley  
Bernard "Buster" Brown  
William O. Sgrinia  
James S. Harr

City Manager  
Deputy City Manager  
Budget Director  
Director of Economic Development  
Director of Transportation Services  
Director of Finance  
Director of Public Works  
Director of Human Services  
Director of Community Development  
Director of Information Technology  
Fire Chief  
Chief of Police  
Director of Human Resources  
Director of Emergency Services  
Director of Parks, Recreation, and Tourism  
Interim Director of Utilities

**CONSTITUTIONAL OFFICERS**

James E. Dooley  
William H. Fuller, III  
Gerald A. Gibson  
James M. Gillie  
Lynwood L. Barbour

City Sheriff  
Commonwealth Attorney  
Clerk of Circuit Court  
Commissioner of the Revenue  
City Treasurer

## **SCHOOL OFFICIALS**

### **SCHOOL BOARD**

George M. Wilson  
Chairman

Rebecca L. Bolton  
Vice Chairman

Malcom W. Huckabee

O. Renee' Hughes

Edward C. Polhamus

Alonzo L. Jones

Millie Dunston

### **ADMINISTRATIVE OFFICIALS**

Dr. Sue B. Davis

Superintendent

Dr. Kathy J. Osborne

Assistant Superintendent for  
Administrative Services

Carrie H. Merricks

Clerk of School Board

Dr. Juliet C. Jennings

Assistant Superintendent for Human  
Resource Services

Andrew W. Tyrrell

Assistant Superintendent for  
Instruction

## **EMPLOYEES' RETIREMENT SYSTEM OFFICIALS**

### **BOARD OF TRUSTEES**

#### City Employee Members

Carolyn B. Evans  
Chairman

Kenneth D. Fitzgerald

E. Linwood Wright, III  
Retired, Dan River, Inc.

#### Citizen Members

James A. Motley  
Retired, American National Bank

David H. Patterson

### **EX-OFFICIO MEMBERS**

T. Wayne Oakes  
Mayor Designee

M. Lyle Lacy, III  
City Manager

Barbara A. Dameron  
Director of Finance

## FINANCIAL SECTION



Certified Public Accountants  
Specialized Services  
Business Solutions

## *Report of Independent Auditors*

The Honorable Mayor and Members of the City Council  
*City of Danville, Virginia*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Danville, Virginia* as of and for the year ended June 30, 2009, which collectively comprise the *City of Danville, Virginia's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Danville, Virginia's* management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Danville, Virginia* as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009 on our consideration of the *City of Danville, Virginia's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparison schedules in the Financial Section of the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the *City of Danville, Virginia's* basic financial statements. The information identified as the Other Supplementary Information section, the Single Audit Section, and the Legal Debt Margin Information in the Statistical Section of the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the *City of Danville, Virginia*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections of the report are presented for the purposes of additional analysis and are not required parts of the basic financial statements of the *City of Danville, Virginia*. Such additional information, except as described in the preceding paragraph, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Government Company, LLP*

Danville, Virginia  
November 30, 2009



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Management's Discussion and Analysis**

The City of Danville, Virginia's (the "City") management presents this discussion and analysis for the purpose of: (a) assisting the reader in understanding significant financial issues, (b) providing an overview of the City's financial activity, and (c) identifying changes in the City's financial position. We encourage readers to read the transmittal letter, the basic financial statements, and the notes to the financial statements along with this discussion and analysis.

## **Financial Highlights**

### **Government-wide Financial Statements**

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$360,733,413 (total net assets - government-wide). Of this amount, \$80,808,860 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets of the City's business-type activities as of June 30, 2009 were \$267,229,060, an increase of \$14,660,615 from net assets of \$252,568,445 reported at June 30, 2008. Net assets of \$34,605,909 are reported as unrestricted, a \$2,080,946 increase from unrestricted net assets reported at June 30, 2008.
- As of June 30, 2009, the City's governmental activities for government-wide statements reported net assets of \$93,504,353, an increase of \$5,196,831 over the beginning net assets of \$88,307,522. Net assets of \$46,202,951 at June 30, 2009, are reported as unrestricted and available to meet the government's obligations to citizens and creditors.

### **Fund Financial Statements**

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$44,336,765, a decrease of \$280,424 in comparison to the fund balance reported at June 30, 2008 of \$44,617,189. Fifty-six percent of the total fund balance at June 30, 2009, \$24,738,775, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$24,728,115, or twenty-six percent of total fund expenditures.

Fund statements utilize the current financial resource measurement focus and modified accrual basis of accounting, which focuses on transactions and events that effect the financial resources available for current spending during the period and reflect near-term inflows or outflows of cash. Government-wide statements use the economic resource measurement and accrual basis of accounting, which focuses on transactions and events that effect the fund's total economic resources; i.e., increase or decrease in net assets during the period regardless of the timing of the related cash inflows or outflows. Fund statements do not include capital or other long-term assets that are not available to finance current period expenditures nor do they include long-term liabilities that will not use current resources. These items must be added (assets) or deducted (liabilities) to/from the fund balances of governmental funds to obtain the

net assets of the governmental activities for government-wide reporting. In addition, the assets and liabilities of internal service funds are included in the governmental activities in the statement of activities, and the combined governmental fund balances from the fund financial statements must be adjusted accordingly. All of these factors add another \$49,167,588 to the combined balances of governmental funds when converting to net assets of governmental activities. The reconciliation presented on pages 43 and 45 of this report offer summarized details of the conversion from governmental fund statements to government-wide statements for governmental activities.

The combined fund balances of the governmental funds report an unreserved fund balance of \$24,738,775 and a reserved fund balance of \$19,597,990. Government-wide net assets for governmental activities report total restricted assets of \$10,207,310 and unrestricted net assets of \$46,202,951. The conversion from the unreserved fund balance to unrestricted net assets can be shown as follows:

Unreserved fund balance (fund statement)	\$ 24,738,775
Deferred revenue for fund statements no longer deferred for government-wide	13,450,449
Internal Service Funds noncapital assets merged into governmental activities for government-wide statements	4,039,205
Workers' compensation, accrued interest, and other compensated absences	(6,243,840)
Encumbrances not restricted externally	6,359,100
Group Health, and OPEB related funds, restricted only for fund statements	<u>3,859,262</u>
Unrestricted net assets – per government-wide governmental activities	<u>\$ 46,202,951</u>

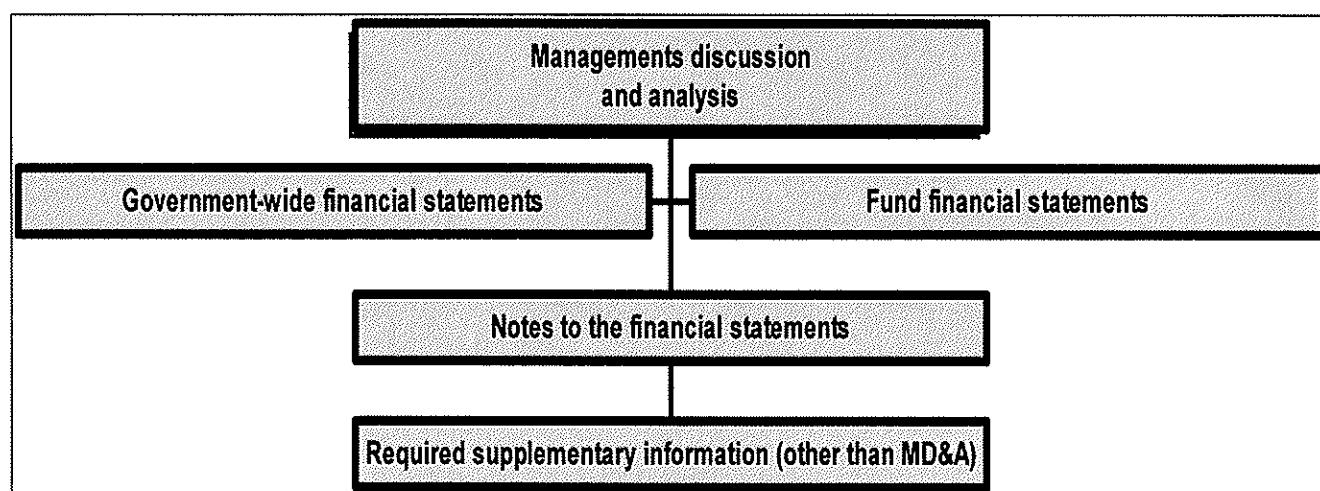
The conversion from reserved fund balance to restricted net assets can be shown as follows:

Reserved fund balance (fund statement)	\$ 19,597,990
Reserved for OPEB Liability	(500,000)
Group Health funds, restricted for fund statements	(2,531,580)
Encumbrances that do not meet GASB Statement 34 definition of restricted	<u>(6,359,100)</u>
Restricted net assets - governmental activities	<u>\$ 10,207,310</u>

The Statement of Net Assets - Enterprise Funds does not require a conversion to the Statement of Net Assets Government-wide reporting of Business-type Activities because enterprise funds already use the economic resource measurement focus and the accrual basis of accounting. From a management-reporting viewpoint, there are significant differences in the reporting of fund balance. These differences in reporting the composition of fund balance between the government-wide statements for business-type activities and the fund statements for enterprise funds are discussed in the Business-type Activities section of the Government-wide financial analysis discussion.

## **Overview of the Financial Statements**

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (a) management's discussion and analysis (MD&A), (b) government-wide financial statements, (c) fund financial statements, and (d) notes to the basic financial statements.



## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, similar to the accounting found in private sector businesses. Government-wide financial reporting consists of two statements: the Statement of Net Assets and the Statement of Activities.

## **The Statement of Net Assets**

The Statement of Net Assets presents information on all the City's assets and liabilities. The difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets – net of related debt, restricted, and unrestricted. Over time, the increases or decreases in the City's net assets can be an indicator as to whether the financial position of the City is improving or deteriorating. To accurately use changes in net assets as an indicator of the City's overall health, the underlying factors contributing to the increase or decrease must be analyzed, as well as other nonfinancial factors (such as changes in the property tax base and the condition of infrastructure and other fixed assets).

## **The Statement of Activities**

The Statement of Activities presents information showing how the net assets changed during the year. As mentioned earlier, government-wide statements use the accrual basis of accounting. Therefore, changes in net assets are recognized when an underlying event occurs regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, the City of Danville is divided into three types of activities:

**Governmental Activities** - Most of the City's basic services are reported here: Police, Fire, Economic Development, Recreation, Social Services, Community Development, and the General Administration. These activities are supported primarily by property taxes, other local taxes, state and federal grants, and contributions from the City's Utility Department (Wastewater, Water, Gas, Electric, and Telecommunications).

**Business-Type Activities** - The City has eight business-type activities: (1) Wastewater, (2) Water, (3) Gas, (4) Electric, (5) Telecommunications, (6) Transportation, (7) Sanitation, and (8) Cemetery Operations. The City charges a fee to customers to cover all or most of the cost associated with providing these services.

**Component Units** - The City of Danville has two component units: (1) the Danville Public School System and (2) the Industrial Development Authority. While these represent legally separate entities, the City of Danville is financially accountable for them. These component units are combined and presented in a separate column on the government-wide statements to emphasize they are legally separate from the primary government.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Danville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The City of Danville has three types of funds:

### **Governmental Funds**

The Governmental Funds report essentially the same functions as the governmental activities in the government-wide financial statements. The governmental fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the City's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide statements. A reconciliation from the fund statements to the government-wide statements is provided to facilitate this comparison.



The City of Danville maintains five individual governmental funds. Information is presented separately in the Balance Sheet-Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds for the General Fund, the Community Development Fund, and the Capital Projects Fund. These funds are considered major funds. The Special Revenue Fund and the Cemetery Maintenance Fund are considered nonmajor funds. The data for these two funds are combined in a single column for the Balance Sheet-Governmental Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund.

### **Proprietary Funds**

The City of Danville maintains two types of proprietary funds: (a) utility enterprise funds and (b) internal services funds. Utility funds are used to report the same functions as the business-type activities in the government-wide financial statements. Wastewater, Water, Gas, and Electric are presented on the statements individually as major funds. Telecommunications, Transportation, Sanitation, and Cemetery Operations are combined as nonmajor funds. Utility funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The City of Danville has three internal service funds providing services to other City departments as follows:

1. Motorized Equipment – acquires and maintains all vehicles used by the various departments of the City. The Fire Department purchases and maintains large equipment independent of motorized equipment.
2. Central Services – provides office supplies and printing services for all of the City's departments.
3. Insurance – provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.

### **Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the government's own programs. The City of Danville maintains two fiduciary funds, a Pension Trust Fund and an Agency fund, the Veterans Memorial Fund.

The Employees' Retirement System of the City of Danville functions as an investment and administrative agent for the City's retirement plan. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

The Veterans Memorial Fund accounts for money held in trust to complete a memorial to our local veterans. This activity is also excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

## **Notes to the financial statements**

The notes to the financial statements are an integral part of the statements and should be read in conjunction with the basic financial statements, Management's Discussion and Analysis, and the other required supplementary information.

## **Government-wide Financial Analysis**

City of Danville  
Summary Statement of Net Assets  
June 30, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 71,585,592	\$ 71,746,749	\$ 94,717,075	\$ 81,933,294	\$ 166,302,667	\$ 153,680,043
Capital Assets	66,803,050	64,532,484	234,691,338	228,183,827	301,494,388	292,716,311
Total Assets	\$ 138,388,642	\$ 136,279,233	\$ 329,408,413	\$ 310,117,121	\$ 467,797,055	\$ 446,396,354
Long-Term Liabilities Outstanding	\$ 35,765,136	\$ 39,113,536	\$ 47,946,521	\$ 42,988,390	\$ 83,711,657	\$ 82,101,926
Other Liabilities	9,119,153	8,858,175	14,232,832	14,560,286	23,351,985	23,418,461
Total Liabilities	\$ 44,884,289	\$ 47,971,711	\$ 62,179,353	\$ 57,548,676	\$ 107,063,642	\$ 105,520,387
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 37,094,092	\$ 29,933,932	\$ 190,621,794	\$ 189,153,872	\$ 227,715,886	\$ 219,087,804
Restricted for Cemetery Maintenance	2,569,222	2,541,972	-	-	2,569,222	2,541,972
Restricted for Capital Projects	6,479,604	4,479,245	42,001,357	30,889,610	48,480,961	35,368,855
Restricted for Special Programs	470,193	510,543	-	-	470,193	510,543
Restricted for Debt Service	688,291	697,897	-	-	688,291	697,897
Unrestricted	46,202,951	50,143,933	34,605,909	32,524,963	80,808,860	88,668,896
Total Net Assets	\$ 93,504,353	\$ 88,307,522	\$ 267,229,060	\$ 252,568,445	\$ 360,733,413	\$ 340,875,967

The City's combined net assets at June 30, 2009 of \$360,733,413, represents an increase of \$19,857,446 from combined net assets at June 30, 2008. Twenty-two percent of total net assets (\$80,808,860) is unrestricted and available for providing services to the citizens of the City of Danville and satisfying creditors. Sixty-three percent of total net assets is invested in capital assets (land, buildings, machinery, and equipment), less any related outstanding debt used to acquire these assets. These assets are used in providing services to the citizens; consequently, these assets are not available for future spending. Although the City of Danville's investment in capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Thirteen percent of total net assets is restricted for capital improvement projects. Invested in Capital Assets Net of Related Debt and restricted for Capital Projects combined represent seventy-seven percent of total net assets. The remaining one percent of net assets

(\$3,727,706) is restricted for other special projects (grants), debt service, net pension assets, and the perpetual care of the municipal cemetery. The composition of fund balance at June 30, 2008 was as follows: Unrestricted net assets - 24%, Invested in Capital Assets net of related debt - 64%, Restricted for Capital Projects - 10% (Invested in Capital Assets and Restricted for Capital Projects combined - 74%), and the remaining 2% was restricted for other purposes. Despite the economic stresses locally, the City of Danville reported positive balances in all three categories of net assets for the government as a whole. Unrestricted fund balance declined, while fund balance restricted for investment in capital assets net of related debt and restricted for capital projects increased.

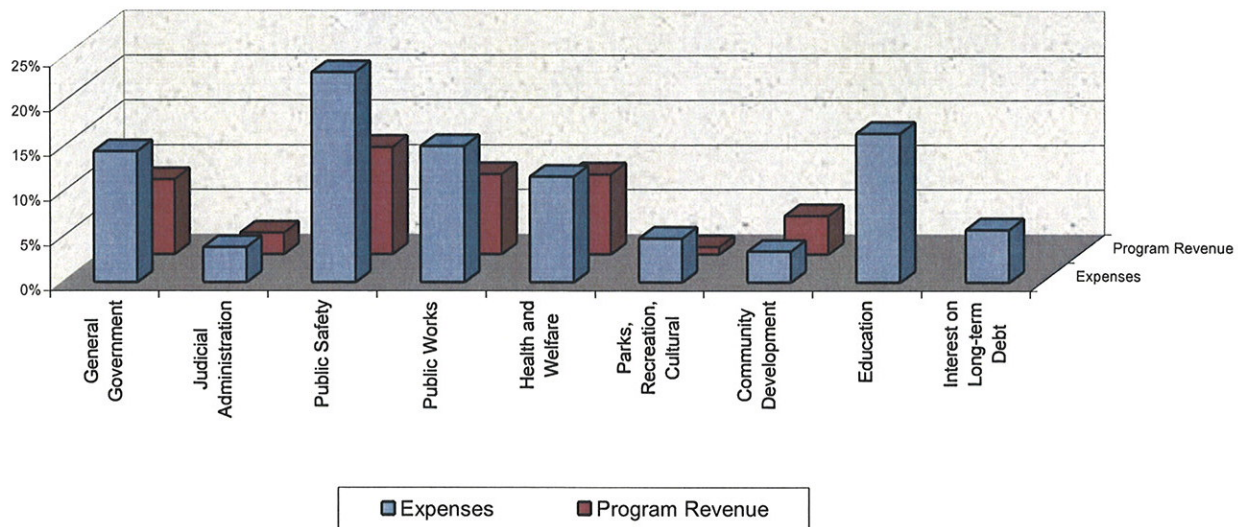
City of Danville  
Changes in Net Assets  
June 30, 2009

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 7,158,680	\$ 6,966,061	\$ 153,470,611	\$ 144,356,199	\$ 160,629,291	\$ 151,322,260
Operating Grants and Contributions	43,012,678	41,172,782	500,537	405,673	43,513,215	41,578,455
Capital Grants and Contributions	6,580,922	2,139,975	2,317,309	2,735,406	8,898,231	4,875,381
<b>General Revenues:</b>						
Real Estate and Personal Property	26,487,289	26,590,389	-	-	26,487,289	26,590,389
Other Taxes (See Exhibit B for detail)	20,696,492	21,546,035	-	-	20,696,493	21,546,035
Interest on Investments	1,327,296	1,626,835	2,023,614	2,610,753	3,350,910	4,237,588
Miscellaneous	5,260,403	1,235,600	2,698,079	2,240,166	7,958,481	3,475,766
<b>Total Revenues</b>	<b>\$ 110,523,760</b>	<b>\$ 101,277,677</b>	<b>\$ 161,010,150</b>	<b>\$ 152,348,197</b>	<b>\$ 271,533,910</b>	<b>\$ 253,625,874</b>
<b>Expenses:</b>						
General Government	\$ 17,366,229	\$ 16,703,620	\$ -	\$ -	\$ 17,366,229	\$ 16,703,620
Judicial Administration	4,680,120	4,853,835	-	-	4,680,120	4,853,835
Public Safety	27,871,098	25,809,136	-	-	27,871,098	25,809,136
Public Works	18,044,882	12,423,465	-	-	18,044,882	12,423,465
Health and Welfare	14,011,832	13,743,677	-	-	14,011,832	13,743,677
Parks, Recreation, and Culture	5,834,463	5,666,299	-	-	5,834,463	5,666,299
Community Development	4,127,674	4,133,310	-	-	4,127,674	4,133,310
Education (payment to school district)	19,762,967	22,343,504	-	-	19,762,967	22,343,504
Interest on Long Term Debt	6,988,805	6,732,839	-	-	6,988,805	6,732,839
Wastewater	-	-	6,696,533	6,975,203	6,696,533	6,975,203
Water	-	-	5,299,264	5,035,842	5,299,264	5,035,842
Gas	-	-	29,694,406	28,436,785	29,694,406	28,436,785
Electric	-	-	84,712,087	75,313,686	84,712,087	75,313,686
Transportation	-	-	1,431,124	1,376,803	1,431,124	1,376,803
Telecommunication	-	-	766,088	548,667	766,088	548,667
Sanitation	-	-	3,506,276	3,468,038	3,506,276	3,468,038
Cemetery Operations	-	-	882,616	919,973	882,616	919,973
<b>Total Expenses</b>	<b>\$ 118,688,070</b>	<b>\$ 112,409,685</b>	<b>\$ 132,988,394</b>	<b>\$ 122,074,997</b>	<b>\$ 251,676,464</b>	<b>\$ 234,484,682</b>
<b>Subtotal Revenue over Expenses</b>	<b>\$ (8,164,310)</b>	<b>\$ (11,132,008)</b>	<b>\$ 28,021,756</b>	<b>\$ 30,273,200</b>	<b>\$ 19,857,446</b>	<b>\$ 19,141,192</b>
Transfers	13,361,141	13,376,678	(13,361,141)	(13,376,678)	-	-
Increase in Net Assets	5,196,831	2,244,670	14,660,615	16,896,522	19,857,446	19,141,192
Beginning Net Assets	88,307,522	86,062,852	252,568,445	235,671,923	340,875,967	321,734,775
<b>Ending Net Assets</b>	<b>\$ 93,504,353</b>	<b>\$ 88,307,522</b>	<b>\$ 267,229,060</b>	<b>\$ 252,568,445</b>	<b>\$ 360,733,413</b>	<b>\$ 340,875,967</b>

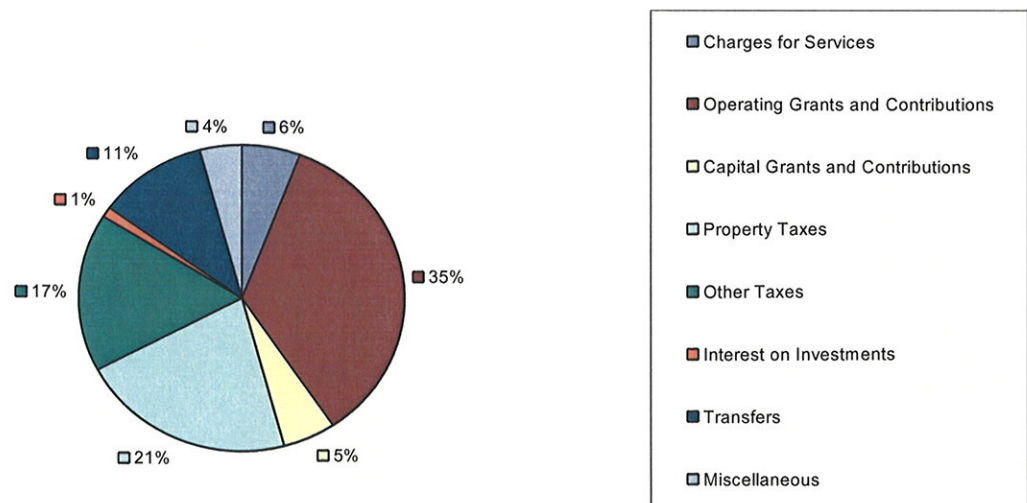
## Governmental Activities

Governmental activities increased the City of Danville's net assets by \$5,196,831. Revenues (including transfers) from governmental activities totaled \$123,884,901, with Property Taxes 21%, Other Taxes 17%, Operating Grants and Contributions 35%, and Transfers 11%, representing 84% of the City's revenues. Expenses for governmental activities totaled \$118,688,070, of which 48% was supported from program revenues and the remaining 52% from general revenues. Expenses for Public Safety 23%, Education 17%, Health & Welfare 12%, General Government 15%, Public Works 15%, and Interest on Long-Term Debt 6% make up 88% of the total governmental expenses for the fiscal year.

Expenses and Program Revenue - Governmental Activities



Revenue by Source - Governmental Activities

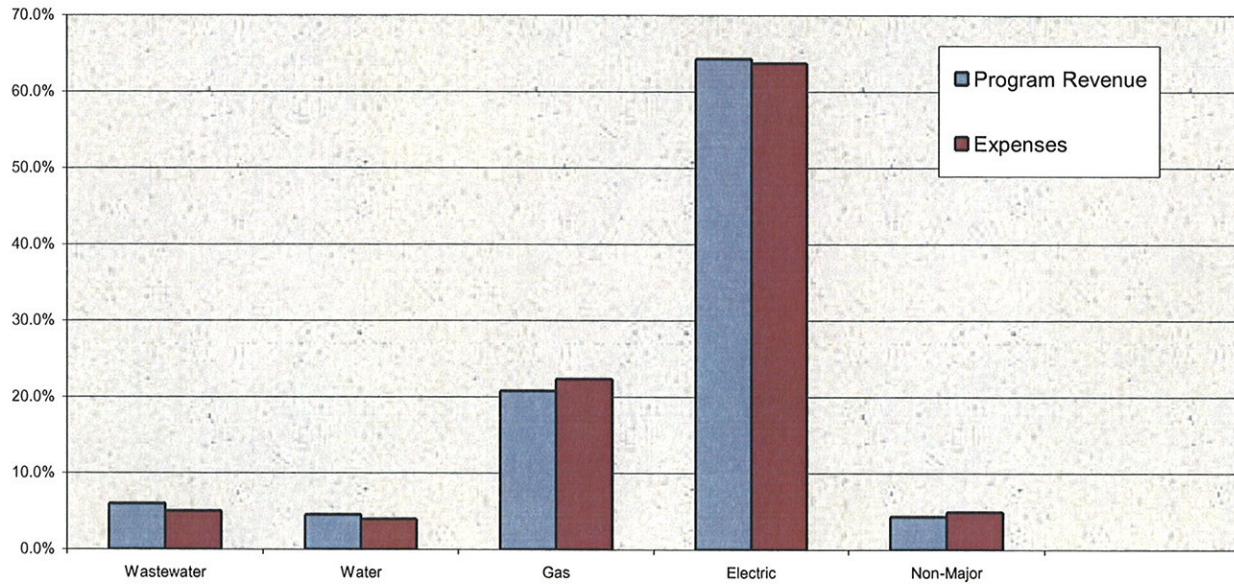




## **Business-type Activities**

Business-type activities increased the City's net assets by \$14,660,615 compared to last year's increase in net assets of \$16,896,522. At June 30, 2009, total net assets were \$267,229,060 of which \$42,001,357 was restricted for capital improvement projects and \$34,605,909 was unrestricted. GASB Statement 34 requires that restricted assets have external restrictions imposed (grantors, contributions, and debt covenants). Revenues for business-type activities were \$161,010,150 of which 95% was from Charges for Services. For further examination of the enterprise funds, please refer to the Enterprise Funds section of the Financial Analysis of the Fund Financial Statements found on page 31.

**Expenses and Program Revenue - Business-type Activities**



## Financial Analysis of the Fund Financial Statements

### Governmental Funds

Governmental funds reported a combined ending fund balance of \$44,336,765, a decrease of \$280,424 when compared with the combined fund balance at June 30, 2008 of \$44,617,189. The fund balance in the Capital Projects Fund, also known as Construction In Progress (CIP), increased \$2,000,359. Of the \$17,301,688 expended in the CIP fund, \$8,178,160 was expended for economic development. Funds of \$1,993,460 were expended for streets and parking lot improvement and construction. \$3,001,878 was expended for improvements to various public buildings, facilities, and equipment, and \$4,128,190 was expended for the Airport's runway safety zone land acquisition.

Fifty-six percent (\$24,738,775) of the combined governmental funds balance is unreserved fund balance, which is available for spending at the government's discretion. The remaining forty-four percent (\$19,597,990) of combined fund balance is reserved and not available for new spending, because it has already been committed to encumbrances (\$4,110,975); perpetual care of the municipal cemetery (\$2,569,222); debt service (\$688,291); prepaid expenses (\$328,228); health insurance and other post-retirement benefits (\$3,031,580); and specific projects (\$8,869,694).

The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2009 of \$34,165,035. This is a decrease of \$2,216,009 compared to last year's fund balance of \$36,381,044. The General Fund reported an unreserved fund balance of \$24,728,115, a decrease of \$3,084,202 from the June 30, 2008 unreserved fund balance of \$27,812,317. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unreserved fund balance and total fund balance to total funds expended. Unreserved fund balance represents 27% of total General Fund expenditures while total fund balance represents 37% of total fund expenditures. When transfers out of \$10,875,142 are added to expenditures, then unreserved fund balance is 24% percent of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

Support of CIP Projects	\$ 9,268,459
Support of Regional Authority	400,000
Support of Grants	935,824
Support of Cemetery	95,054
Support of Transportation	175,805
	<u>\$ 10,875,142</u>

The decrease in fund balance of \$2,216,009 resulted from \$10,262,217 unexpended budgeted expenditures and \$1,655,122 unrealized revenue; offset by \$2,312 in unexpended transfers out; prior year encumbrance carryforwards of \$4,965,416; a budgeted draw on fund balance of \$4,290,000 and \$1,570,000 in supplemental appropriations from fund balance.

Some key factors of unexpended appropriations are as follows:

- City Support of Public Schools had an unexpended balance of \$4,699,446. The unencumbered portion of this amount is reserved as a carryforward for fiscal 2010.
- City-wide savings in salaries of more than \$1,500,000 were realized through vacancies and the implementation of a hiring freeze or delay on hiring where possible. This also allowed for savings of more than \$850,000 in Non-departmental expenditures – primarily employee health benefits.
- Public Works spending for street maintenance and snow removal were under budget by about \$580,000. A very mild winter helped the City realize these savings.
- The remaining savings of approximately \$2,600,000 resulted from the conservatism of management in every department as the City attempted to uphold the level of services provided during the economic downturn of fiscal 2009.

Some key factors of the net unrealized revenue are as follows:

- General Property Tax collections were \$135,591 over budget. The primary components of this variance exist in the following areas:

Real Estate	\$ 634,891
Personal Property	\$ (573,588)
Public Service	\$ (41,331)
Penalties & Interest	\$ 115,619

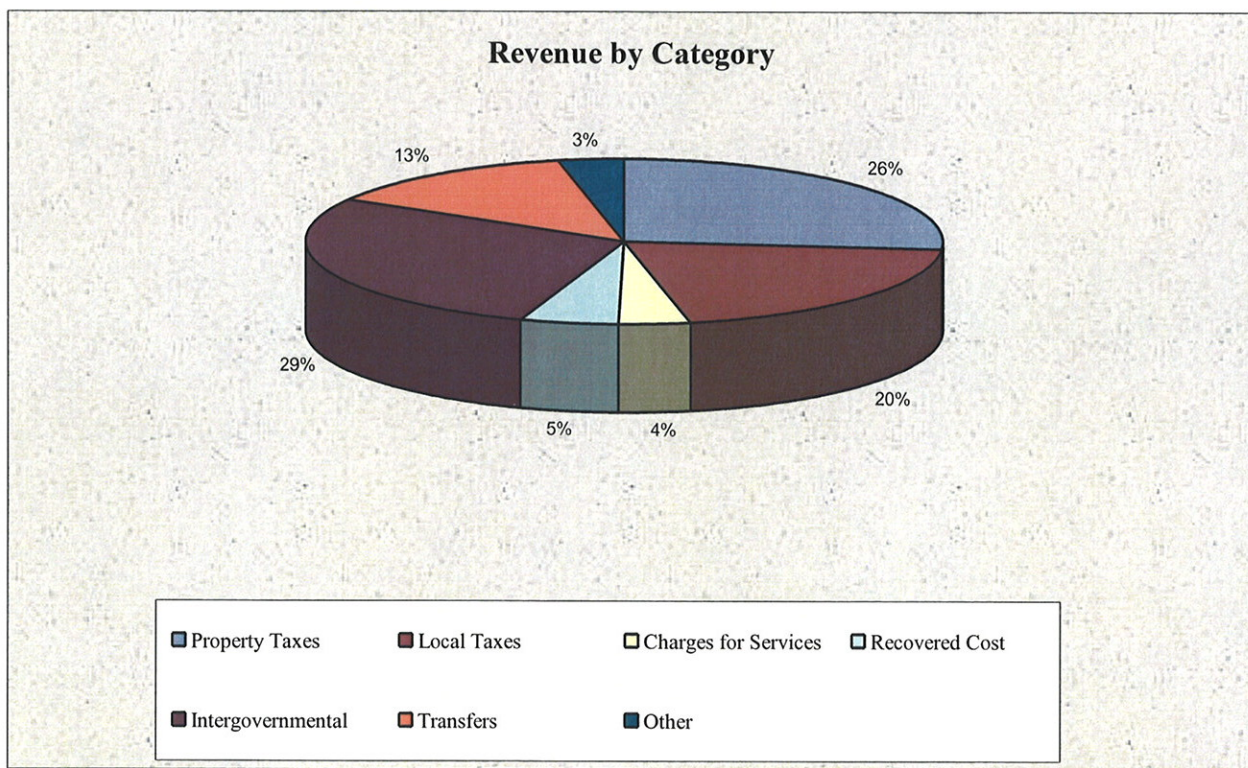
- Real Estate realized additional revenues due to increased efforts in collecting delinquent taxes. This is also reflected in increased collections of penalty and interest. Collections of personal property are less than budget because of the deferment of Personal Property Tax Relief Act (PPTRA) revenue.
- Other Local Taxes were under the estimated budget of \$22,527,375 by \$1,830,883. This is primarily due to decreases in sales tax, business licenses, and prepared meals tax resulting from the economic downturn, retail closings, and collapse of consumer confidence. Local Sales Taxes were collected at 93% of budget, Business Licenses were collected at 83% of budget, Hotel Taxes were at 85% of budget, and Prepared Meals Tax collections also fell below estimates at 95% of budget. Areas contributing to the budget variance include:

Business Licenses	\$ (935,521)
Prepared Meals Tax	\$ (99,328)
Local Sales Tax	\$ (599,144)
Recordation Taxes	\$ (178,208)
Vehicle and Bank Taxes	\$ 256,336



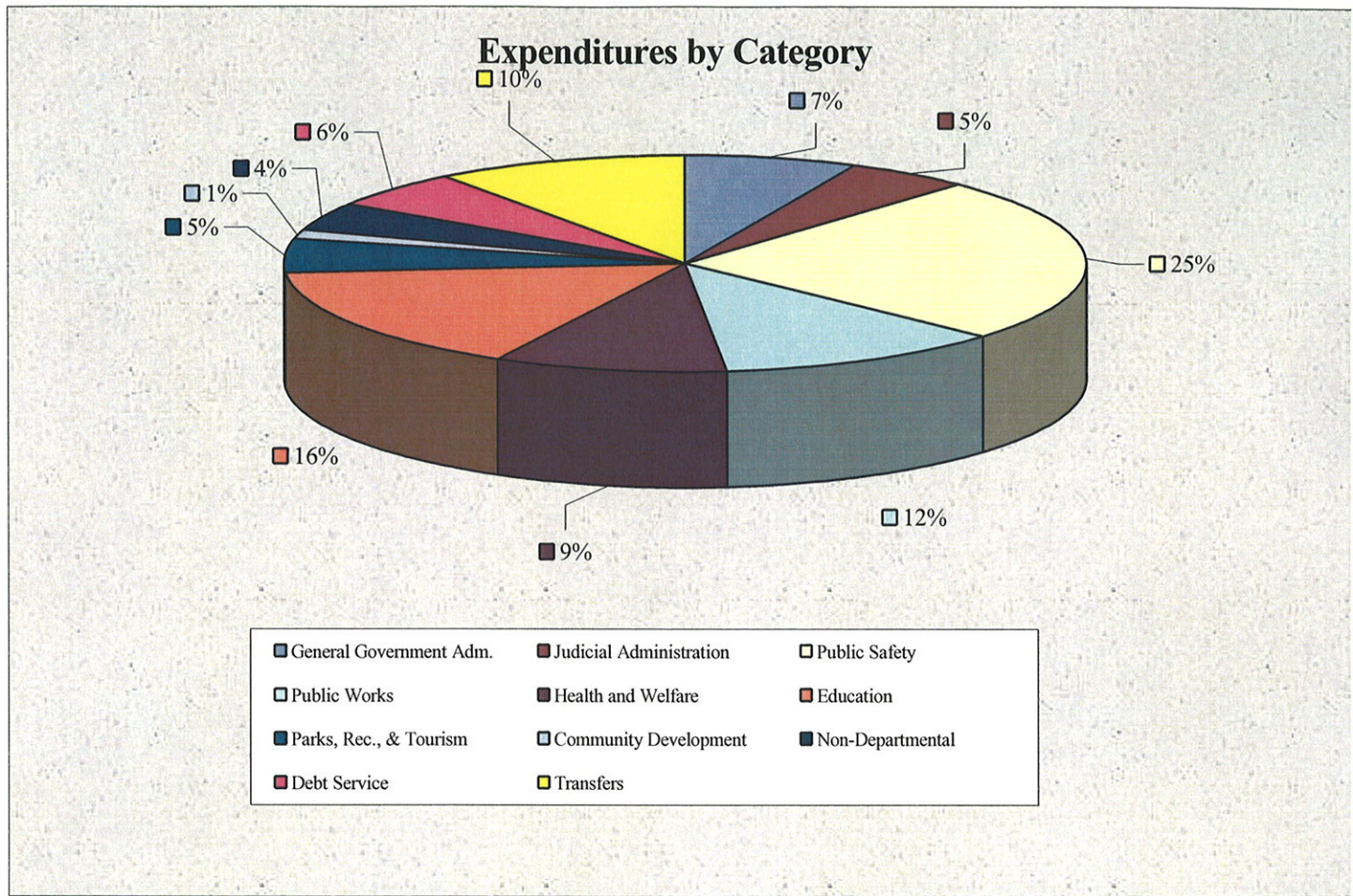
- Recovered costs exceeded budget this year by \$631,953. This primarily resulted from a refund paid by Corning, Inc. to the City for failing to meet economic development goals related to City incentives paid in a prior fiscal year.
- Revenue from the Commonwealth of Virginia was under budget as Governor Kaine made mid-year adjustments to locality support. Welfare was under budgeted amounts by \$667,408. The total effect on intergovernmental revenue was a shortfall of \$1,205,296.
- Revenue from Use of Money and Property surpassed budget by \$785,336. Actual cash receipts of interest were \$755,398, combined with a market value gain of \$29,938.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2009. Total revenues are \$102,591,893, including transfers in of \$13,632,000.





The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2009. Total expenditures are \$105,241,789, including transfers out of \$10,875,142.



### **Enterprise Funds**

Enterprise funds reported combined ending net assets of \$267,229,060; an increase of \$14,660,615 compared to combined net assets reported at June 30, 2008. Each of the following enterprise funds contributed to this increase: Electric Fund, 57% or \$8,287,872; Water Fund, 8% or \$1,234,548; Wastewater Fund, 16% or \$2,326,426; Gas Fund, 16% or \$2,300,129; and the Telecommunications Fund, 4% or \$573,161. Decreases in net assets were reported in the Sanitation Fund, \$22,907 and the Transportation Fund, \$38,614. The fund balance of the Cemetery Operations Fund remained unchanged at \$0.

Revenues from all sources combined, including contributed capital and transfers in, increased \$6,984,478 from fiscal year ended June 30, 2008 compared to fiscal year ended June 30, 2009. The details of this net increase in revenue result from the following:

Charges for Services	\$ 9,091,457
Gain (Loss) on Fixed Assets and Hedges	\$ (1,639,613)
Contributed Capital	\$ (152,357)
Interest Income	\$ (592,704)
Recoveries & Rebates	\$ 348,727
Sales/Jobbing/Rental/Transfers/Inkind/Grants	\$ (71,032)

Charges for Services increased in the Electric Fund \$8,767,952, reflecting increases in the cost of purchased power which is passed on to customers through the cost adjustment factor in utility billings. There were no increases in utility rates during FY 2009. An increase of \$943,771 in wastewater revenue resulted from increased use of septic haulers during the fiscal year. The Water and Gas Funds remained fairly constant with a combined decrease of \$707,002 related to a decrease in consumption. Non-major Funds (Transportation, Sanitation, Cemetery, and Telecommunication) were fairly stable with a combined increase of \$86,736.

The decrease in Gain on Fixed Assets and Hedges reflects a loss recorded as gas hedges were adjusted to fair market value at June 30, 2009. These hedges will be used in the heating season of 2010, and the resulting gain or loss will be passed in to the customer through the gas cost adjustment. The decrease in interest income resulted from the falling interest rates that were experienced during the fiscal year. Operating income for all enterprise funds combined remained constant with the prior year, decreasing by \$177,554.

The Utilities contributed \$13,632,000 in transfers to the General Fund for fiscal year ending June 30, 2009. Enterprise Funds' net assets of \$267,229,060 include \$37,757,109 unrestricted, \$42,001,357 restricted for incomplete projects, and \$190,621,794 invested in capital assets, net of related debt.

## General Budgetary Highlights

City of Danville  
General Fund Budget  
Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	\$49,476,875	\$49,476,875	\$47,781,583
Intergovernmental	29,541,821	30,062,734	28,857,438
Other	24,193,658	24,707,406	25,952,872
Total	103,212,354	104,247,015	102,591,893
Expenditures, Transfers, and Other Financial Uses			
Expenditures	98,156,516	104,628,864	94,366,647
Transfers and other	9,345,838	10,441,255	10,441,255
Total	107,502,354	115,070,119	104,807,902
Change in Fund Balance	<u>\$(4,290,000)</u>	<u>\$(10,823,104)</u>	<u>\$(2,216,009)</u>

Differences between the City's original operating budget for expenditures and transfers and the final amended budget resulted from carryforwards and prior year encumbrances of \$4,965,416 and additional appropriations totaling \$2,602,349. \$1,032,349 of the additional appropriations had matching revenues and an additional \$1,570,000 was appropriated from fund balance, represented as follows:

Appropriations with matching revenue:

Police – Forfeited Funds	\$ 117,951
Child Daycare, Welfare & Foster Care Grants	\$ 360,205
Fire Grants and Donations	\$ 2,000
Juvenile Detention – Electronic Monitoring	\$ 112,137
Sale of School Property	\$ 400,000
Hazardous Material Response	\$ 10,971
Project Lifesaver	\$ 6,111
Emergency Management – Four for Life	\$ 22,974

Appropriations from fund balance:

Economic Development Incentives	\$ 1,000,000
Group Health and OPEB	\$ 500,000
Airport Land Acquisition	\$ 40,000
City Manager Search	\$ 30,000

Revenues fell short of budget primarily because of the downturn in the economy. This heavily impacted local revenues such as: business licenses, prepared meals taxes, and sales taxes. The revenues received from the Commonwealth of Virginia were also materially curtailed. The positive budget variance in expenditures resulted primarily from vacancy savings, decreased spending in Public Safety, and delayed transfers to the Danville City School System. The school funds have been encumbered and will be transferred during fiscal 2010 as needed.

## **Capital Assets and Debt Administration**

### **Capital Assets**

As of June 30, 2009, the City of Danville's capital assets investment for its governmental and business-type activities amounts to \$301,494,388 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. For further analysis of capital assets, please refer to note 5 in the notes to the financial statements.

Major capital asset events during the current fiscal year included the following:

- Acquisitions of land related to the runway safety zone were executed during fiscal year 2009. Current year expenditures amounted to \$4,128,190.
- Economic development incentives totaling \$8,178,159 were granted to Goodyear, Inc., Com40, Inc., Infinity Global Packaging, and North American Properties, the developer of Coleman Marketplace. Coleman Marketplace is home to some of Danville's newest retailers such as Home Depot, Target, Dick's Sporting Goods, and Old Navy.
- Improvements in the amount of \$4,995,338 were made to the infrastructure such as streets, parking lots, and various school and other public buildings and facilities during the fiscal year.

City of Danville Capital Assets (net of depreciation) June 30, 2009			
	Governmental Activities	Business-type Activities	Total
Land	\$ 11,701,752	\$ 1,340,170	\$ 13,041,922
Building & Improvements	20,191,756	182,707,197	202,898,953
Machinery & Equipment	1,489,195	28,756,535	30,245,730
Infrastructure	8,230,136	-	8,230,136
Construction in Progress	9,829,830	21,887,436	31,717,266
Subtotal	51,442,669	234,691,338	286,134,007
Assets Transferred from School Board	15,360,381	-	15,360,381
Total	\$ 66,803,050	\$ 234,691,338	\$ 301,494,388

## **Long-term debt**

At the end of the current fiscal year, the City of Danville had total outstanding general obligation and revenue bonded debt of \$67,411,571, capital lease revenue bonded debt of \$8,535,747, and notes payable of \$3,000,000 for a total of \$78,947,318.

### **City of Danville's Outstanding Debt Bonds and Related Loans**

	Governmental Activities		Business-type Activities		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
General Obligation Bonds	\$ 22,068,904	\$ 24,819,277	\$ 40,766,777	\$ 33,909,608	\$ 62,835,681	\$ 58,728,885
Revenue Bonds	-	-	4,575,890	5,133,548	4,575,890	5,133,548
Capital Lease Revenue Bonds	8,535,747	9,394,097	-	-	8,535,747	9,394,097
Notes Payable	-	200,000	3,000,000	3,000,000	3,000,000	3,200,000
Total	<u>\$ 30,604,651</u>	<u>\$ 34,413,374</u>	<u>\$ 48,342,667</u>	<u>\$ 42,043,156</u>	<u>\$ 78,947,318</u>	<u>\$ 76,456,530</u>

Notes payable is comprised an inter-fund loan between Electric, Gas, and Wastewater. The inter-fund loan balance was \$3,000,000 at June 30, 2009. The lease-revenue bonds cover three items: (1) addition and renovation to the courts and jail, (2) expansion of the juvenile detention home, and (3) renovation of the Social Services building, which houses the Social Services departments.

During the 2008-2009 fiscal year, the City made principal payments of \$9,609,212. A new debt issue of \$9.8 million in general obligation bonds occurred in the Electric Funds. This was done to finance the capital costs for improving electric infrastructure. The City of Danville issued \$30,410,000 of general obligation refunding bonds in order to restructure the City's debt liability to provide cash flow relief for the City in the next few fiscal years and not for debt service savings. The proceeds of this refunding were placed in trust with the escrow agent for all future debt service payments of general obligation debt associated with the original bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$1,923,230. This amount is being netted against the new debt and amortized over the average remaining life of the refunded debt, which is shorter than the life of the new debt.

At the time of the City's last bond rating review, we received an "A3" rating from Moody's for general obligation and revenue bond debt. The City of Danville's debt management policy states total general obligation net debt will not exceed 7.5% of the assessed valuation of the real property in the City of Danville, which is less than the 10% debt limit required by the Commonwealth of Virginia's Constitution. At June 30, 2009, net debt for the City of Danville was 1.84%.

Additional information on the City of Danville's long-term debt can be found in note 8 of the notes to the financial statements.

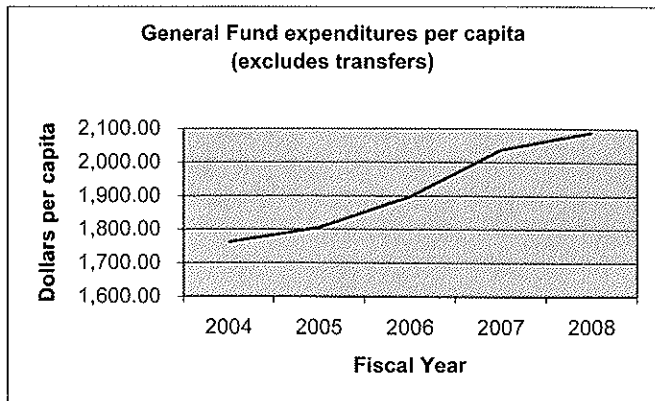
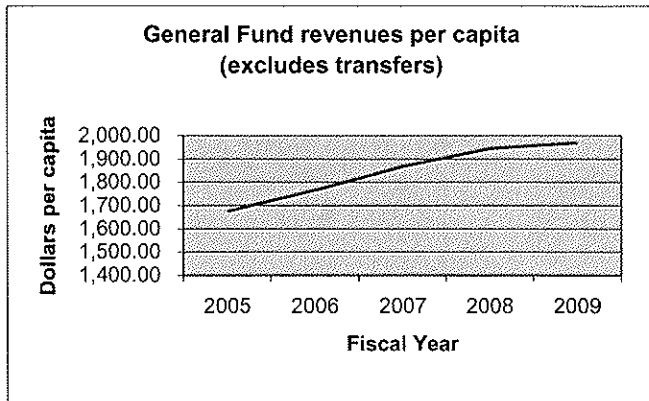
## **Economic Factors and Next Year's Budget and Rates**

- As of September 30, 2009, the average unemployment rate for the City of Danville was 13.0 percent, which is an increase from a rate of 8.6 percent at September 30, 2008. This compares to the Commonwealth's average unemployment rate of 6.7 percent and the national average rate of 9.8 percent.
- Danville continues to make economic development a priority in its effort to reduce unemployment. From January 2009 to October 2009, the City has announced 534 new jobs and capital investments of \$429.5 million. For fiscal year 2010, the City's budget includes \$775,350 in economic development incentives. These incentives are funded from FY 2010 revenues, not fund balance.
- During fiscal year 2008-2009, management's continued goal is to stabilize utility rates for electric services charged to its consumers. Utility rates have increased in past years in response to dramatic increases in purchased power costs for gas and electricity and the falling demand for water and wastewater services resulting from loss of industry. The real estate tax rate was decreased from \$0.77 to \$0.73 per \$100 for fiscal 2008-2009. Lodging tax rates were doubled, from 3% to 6% for the fiscal 2009-2010 year. The tax rate for prepared meals was also increased from 5% to 6% for fiscal year 2009-2010.
- Danville has an estimated population of 45,152, based on the 2000 census. Per capita income is \$26,008 for Danville and \$44,224 for the Commonwealth of Virginia.
- Danville is located in the southern region of the United States. According to the consumer price index, Danville and the southern region have a lower cost of living compared to other regions in the United States.

Primary revenue sources for the City's General Fund are property taxes, sales taxes, business and occupational licenses, meals taxes, state revenues, and contributions from the City's Utility Departments. In establishing the budget, historical and trend data are analyzed. In addition to analyzing historical data, economic indicators and the impact the economy will have on the historical data is taken into consideration. Throughout the year, management monitors revenues and economic indicators to determine if they are on target with the analysis used to develop the budget.



## **Other Financial Indicators**



General Fund revenues and expenditures per capita have both trended upward over the last five years. Although the increase in revenue per capita is partially attributable to a declining population, there was a 1% increase in revenues from 2008 to 2009, despite the poor economy. Expenditures have increased 17% from 2005 to 2009, demonstrating management's excellent efforts in containing costs despite ever increasing costs of goods and services. Expenditures in FY 2009 increased about \$2 million due to increased support of capital projects, offset by a delay in the schools draw down of budgeted support. Danville's population has shown decreases over the past fiscal years. It is anticipated that through the economic development efforts, the City will see the population stabilize and begin to increase in the future.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Danville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Danville, Director of Finance, 427 Patton Street, Danville, Virginia 24541.

# FINANCIAL STATEMENTS



## STATEMENT OF NET ASSETS

June 30, 2009

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash and investments				
Restricted expendable permanently	\$ -	\$ 27,213,553	\$ 27,213,553	\$ -
Unrestricted	38,657,318	33,985,827	72,643,145	2,287,173
Cash and investments - held by fiscal agents	900,680	9,017,573	9,918,253	2,869,669
Receivables - net	25,330,527	19,836,753	45,167,280	110,268
Due from the City	-	-	-	5,189,994
Due from other governments	5,209,708	603,987	5,813,695	3,369,148
Prepayments	328,228	-	328,228	200,734
Inventories	262,601	3,694,592	3,957,193	922,475
Pension asset	896,530	364,790	1,261,320	-
Capital assets:				
Land and Construction in Progress	21,531,582	23,227,605	44,759,187	4,779,331
Other capital assets - net	45,271,468	211,463,733	256,735,201	19,396,796
<b>Total assets</b>	<b>\$ 138,388,642</b>	<b>\$ 329,408,413</b>	<b>\$ 467,797,055</b>	<b>\$ 39,125,588</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,292,490	\$ 8,936,849	\$ 11,229,339	\$ 860,785
Accrued salaries	153,606	-	153,606	3,908,628
Accrued payroll taxes	-	-	-	299,074
Accrued interest	258,668	601,588	860,256	-
Accrued expenses	-	-	-	39,440
Loan escrow	51,819	-	51,819	-
Due to City of Danville	-	156,713	156,713	-
Due to component unit	5,104,303	-	5,104,303	-
Due to other governments	785,367	-	785,367	-
Refundable deposits	176,900	2,433,966	2,610,866	-
Pension liability	-	46,353	46,353	-
Hedging liability	-	2,057,363	2,057,363	-
Deferred grant revenue	-	-	-	1,815,539
Unearned revenue	296,000	-	296,000	-
Long-term liabilities:				
Due within one year	3,731,227	1,616,925	5,348,152	1,742,277
Due in more than one year	32,033,909	46,329,596	78,363,505	13,674,288
<b>Total liabilities</b>	<b>\$ 44,884,289</b>	<b>\$ 62,179,353</b>	<b>\$ 107,063,642</b>	<b>\$ 22,340,031</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	\$ 37,094,092	\$ 190,621,794	\$ 227,715,886	\$ 12,582,605
Restricted for expendable purposes:				
Insurance payments	-	-	-	2,869,669
Capital projects	6,479,604	42,001,357	48,480,961	-
Special programs	470,193	-	470,193	-
Debt service	688,291	-	688,291	-
Restricted for nonexpendable purposes:				
Cemetery maintenance	2,569,222	-	2,569,222	-
Unrestricted	46,202,951	34,605,909	80,808,860	1,333,283
<b>Total net assets</b>	<b>\$ 93,504,353</b>	<b>\$ 267,229,060</b>	<b>\$ 360,733,413</b>	<b>\$ 16,785,557</b>

The accompanying notes are an integral part of these financial statements.

CITY OF DANVILLE, VIRGINIA  
STATEMENT OF ACTIVITIES

Exhibit B

Year Ended June 30, 2009

Functions/Programs Primary Government:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	Component Units
Government activities:								
General government	\$ 17,386,229	\$ 6,071,953	\$ 4,289,731	\$ -	\$ (7,004,545)	\$ -	\$ (7,004,545)	\$ -
Judicial administration	4,680,120	652,091	2,298,873	-	(1,729,156)	-	(1,729,156)	-
Public safety	27,871,098	201,788	14,611,518	-	(13,057,792)	-	(13,057,792)	-
Public works	18,044,882	-	9,753,680	1,331,899	(8,959,303)	-	(8,959,303)	-
Health and welfare	14,071,832	-	11,050,035	-	(2,961,797)	-	(2,961,797)	-
Parks, recreation, cultural	5,834,463	232,848	779,864	-	(4,821,751)	-	(4,821,751)	-
Community development	4,127,674	-	48,290	5,249,023	1,169,639	-	1,169,639	-
Education	19,762,967	-	180,687	-	(19,582,280)	-	(19,582,280)	-
Interest on long-term debt	6,988,805	-	-	-	(6,988,805)	-	(6,988,805)	-
Total governmental activities	118,688,070	7,158,680	43,012,678	6,580,922	(61,935,790)	-	(61,935,790)	-
Business-type activities:								
Wastewater	6,686,533	9,306,293	-	30,571	-	2,640,331	2,640,331	-
Water	5,299,264	6,930,045	-	201,187	-	1,831,968	1,831,968	-
Gas	29,694,406	32,501,486	-	-	-	2,807,080	2,807,080	-
Electric	84,712,087	98,949,812	-	1,552,919	-	15,790,644	15,790,644	-
Nonmajor	6,586,104	5,782,975	500,537	532,652	-	230,040	230,040	-
Total business-type activities	132,988,394	153,470,611	500,537	2,317,309	-	23,300,063	23,300,063	-
Total primary government	251,676,464	180,629,291	43,513,215	8,898,231	(61,935,790)	23,300,063	(38,635,727)	-
Component Units:								
Danville Public Schools	73,660,551	1,174,492	22,992,861	1,157,167	-	-	-	(48,336,031)
Industrial Development Authority	9,178,321	866,028	7,276,800	1,000,000	-	-	-	(35,493)
Total component units	\$ 82,838,872	\$ 2,040,520	\$ 30,269,661	\$ 2,157,167	-	-	-	(48,371,524)
General Revenues - unrestricted:								
Real estate and personal property taxes					26,487,289	-	26,487,289	-
Other taxes -								
Sales and use taxes					7,800,856	-	7,800,856	-
Business license taxes					4,474,854	-	4,474,854	-
Utility taxes					1,013,694	-	1,013,694	-
Hotel and meals taxes					5,488,960	-	5,488,960	-
Recordation and bank stock taxes					862,181	-	862,181	-
Auto license and recordation taxes					1,055,947	-	1,055,947	-
Payments from City of Danville					-	-	-	16,998,805
State aid - unrestricted					-	-	-	31,157,646
Investment income					1,327,296	2,023,614	3,350,910	26,329
Miscellaneous - gifts and donations					5,260,403	2,698,079	7,958,482	338,935
Transfers - net					13,361,141	(13,361,141)	-	-
Total general revenues, transfers and miscellaneous					67,132,621	(8,639,448)	58,493,173	48,521,715
Change in net assets					5,196,831	14,660,615	19,857,446	150,191
Net assets - beginning of year					88,307,522	252,568,445	340,875,967	16,635,366
Net assets - end of year					\$ 93,504,353	\$ 267,229,060	\$ 360,733,413	\$ 16,785,557

The accompanying notes are an integral part of these financial statements.

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

## ASSETS

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 31,620,644	\$ -	\$ -	\$ -	\$ 31,620,644
Cash and investments - held by fiscal agent	840,680	-	-	-	840,680
Receivables - net	-	-	-	-	-
Taxes and licenses	9,668,263	-	-	-	9,668,263
Accounts	789,729	-	9,800,035	-	10,589,764
Accrued interest	389,361	-	-	-	389,361
Loans	-	4,655,816	-	23,859	4,679,675
Due from other funds	5,031,605	-	-	-	5,031,605
Due from other governments	2,013,559	268,800	1,338,502	1,588,847	5,209,708
Prepayments	-	325,993	2,235	-	328,228
Inventories	147,963	-	-	-	147,963
<b>Total assets</b>	<b>\$ 50,501,804</b>	<b>\$ 5,250,609</b>	<b>\$ 11,140,772</b>	<b>\$ 4,181,928</b>	<b>\$ 71,075,113</b>

## LIABILITIES AND FUND BALANCES

<b>LIABILITIES</b>					
Accounts payable	\$ 1,667,618	\$ 8,780	\$ 305,286	\$ 263,515	\$ 2,245,199
Accrued salaries	153,606	-	-	-	153,606
Loan escrow held for others	-	51,819	-	-	51,819
Due to other funds	-	-	4,355,882	675,723	5,031,605
Due to component unit	5,104,303	-	-	-	5,104,303
Due to other governments	112,647	115,820	-	-	228,467
Refundable deposits	176,900	-	-	-	176,900
Deferred revenue	9,121,695	4,603,997	-	20,757	13,746,449
<b>Total liabilities</b>	<b>16,336,769</b>	<b>4,780,416</b>	<b>4,661,168</b>	<b>958,995</b>	<b>26,738,348</b>
<b>FUND BALANCES</b>					
Reserved for:		1,917	1,920,903	642,051	4,110,975
Encumbrances	1,546,104	-	-	2,569,222	2,569,222
Cemetery maintenance	-	-	-	-	2,531,580
Health insurance	2,531,580	-	-	-	500,000
OPEB	500,000	-	-	-	688,291
Debt service	688,291	-	-	-	8,869,694
Specific projects	4,170,945	142,283	4,556,466	-	328,228
Prepayments	-	325,993	2,235	-	-
Unreserved:					
General fund	24,728,115	-	-	-	24,728,115
Special revenue fund	-	-	-	10,660	10,660
<b>Total fund balances</b>	<b>34,165,035</b>	<b>470,193</b>	<b>6,479,604</b>	<b>3,221,933</b>	<b>44,336,765</b>
<b>Total liabilities and fund balances</b>	<b>\$ 50,501,804</b>	<b>\$ 5,250,609</b>	<b>\$ 11,140,772</b>	<b>\$ 4,181,928</b>	<b>\$ 71,075,113</b>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets**

**June 30, 2009**

**Total fund balances - governmental funds** \$ 44,336,765

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Capital assets - primary government	\$ 64,532,776	
Capital assets - internal services	<u>2,270,274</u>	
		66,803,050

Other long-term assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds.

Unearned revenue	\$ 13,450,449	
Pension asset - governmental funds	870,999	
Pension asset - internal services	25,531	
Accrued interest	<u>(258,549)</u>	
		14,088,430

Internal service funds are used by management to charge the costs  
of certain activities, such as insurance, printing, and communications,  
to individual funds. The assets and liabilities of certain internal service  
funds are included in governmental activities in the Statement of Net  
Assets.

Internal services - Exhibit E	\$ 6,290,288	
Less - capital assets shown above	(2,270,274)	
Less - pension asset- shown above	(25,531)	
Add - long-term debt shown below	<u>44,722</u>	
		4,039,205

Obligations for OPEB is not due and payable in the current period  
and is not recorded as a liability in the governmental funds. (68,846)

Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported as liabilities  
in the governmental funds.

Long-term debt - primary government	\$ (35,649,529)	
Long-term debt - internal services	<u>(44,722)</u>	
		(35,694,251)

**Total net assets-governmental activities** \$ 93,504,353

*The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2009

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 27,085,091	\$ -	\$ -	\$ -	\$ 27,085,091
Local taxes	20,696,492	-	-	-	20,696,492
Fines and forfeitures	564,204	-	-	-	564,204
Permits, privilege fees, and regulatory licenses	170,178	-	-	-	170,178
Revenue from use of money and property	2,540,011	26,505	186,517	-	2,753,033
Charges for services	3,679,665	-	-	-	3,679,665
Miscellaneous	97,431	329,152	4,217,173	362,518	5,006,274
Recovered costs	5,269,383	1,315	-	-	5,270,698
Intergovernmental	28,857,438	1,351,023	5,229,898	4,456,008	39,894,367
Total revenues	88,959,893	1,707,995	9,633,588	4,818,526	105,120,002
<b>EXPENDITURES</b>					
Current:					
General government	7,313,591	-	8,200,195	-	15,513,786
Judicial administration	5,400,671	-	-	22,777	5,423,448
Public safety	25,946,917	-	655,837	1,101,907	27,704,661
Public works	12,248,328	-	6,737,373	111,198	19,096,899
Health and welfare	9,997,589	-	-	4,068,484	14,066,073
Education	16,703,960	-	370,719	464,087	17,538,766
Parks, recreation, and cultural	5,096,939	-	159,482	10,321	5,266,742
Community development	1,357,644	1,748,345	1,178,082	-	4,284,071
Nondepartmental	4,370,594	-	-	-	4,370,594
Debt service:					
Principal	4,275,988	-	-	-	4,275,988
Interest	1,654,426	-	-	-	1,654,426
Total expenditures	94,366,647	1,748,345	17,301,688	5,778,774	119,195,454
Deficiency of revenues over expenditures	(5,406,754)	(40,350)	(7,668,100)	(960,248)	(14,075,452)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from refunding bonds issued	12,227,851	-	-	-	12,227,851
Payment to bond refunding escrow agent	(11,793,964)	-	-	-	(11,793,964)
Transfers in	13,632,000	-	9,668,459	935,824	24,236,283
Transfers out	(10,875,142)	-	-	-	(10,875,142)
Total other financing sources (uses)	3,190,745	-	9,668,459	935,824	13,795,028
Net change in fund balances	(2,216,009)	(40,350)	2,000,359	(24,424)	(280,424)
Fund balances - beginning of year	36,381,044	510,543	4,479,245	3,246,357	44,617,189
Fund balances- end of year	\$ 34,165,035	\$ 470,193	\$ 6,479,604	\$ 3,221,933	\$ 44,336,765

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities**

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**Year Ended June 30, 2009**

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**Net change in fund balances - total governmental funds** \$ (280,424)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities the cost of these assets  
is allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which capital outlays  
exceeded depreciation.

Capital Outlay - City	\$ 7,704,522	
Depreciation - City	(3,510,516)	
Depreciation - Schools	<u>(1,923,440)</u>	
		2,270,566

Repayment of debt principal and other long-term assets is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities in the  
Statement of Net Assets.

Principal payments on long-term debt	\$ 4,768,987	
Refunding of principal debt	10,987,417	
Proceeds from issuance of new debt	(11,983,229)	
Bond issue costs	938,478	
Change in reimbursement agreements	190,351	
Reduction of pension asset	(148,472)	
OPEB Obligation	<u>334,182</u>	
		5,087,714

Some expenses reported in the Statement of Activities, such as changes in  
compensated absences and worker's compensation do not require the use of  
current financial resources and therefore are not reported as expenditures in  
governmental funds.

Changes in workers' compensation	\$ (1,358,797)	
Changes in compensated absences	<u>(111,510)</u>	
		(1,470,307)

Some revenues and expenditures are not accrued in the governmental funds but are shown  
as liabilities in the Statement of Net Assets.

Increase in unearned revenue	\$ (567,682)	
Decrease in accrued interest	<u>180,080</u>	
		(387,602)

Internal service funds are used by management to charge the cost  
of certain activities, such as insurance and printing, to individual funds.  
The net revenue of certain internal service funds is reported with  
governmental activities.

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(23,116)**Changes in net assets of governmental activities** \$ 5,196,831*The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

June 30, 2009

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and investments	\$ 2,367,363	\$ 3,128,293	\$ 5,513,087	\$ 21,007,191	\$ 1,969,913	\$ 33,985,827	\$ 4,467,452
Cash and investments - held by fiscal agents	-	-	-	9,017,573	-	9,017,573	80,000
Receivables - net	1,062,394	586,593	3,995,867	13,937,025	254,874	19,836,753	3,464
Due from other governments	-	-	-	-	603,987	603,987	-
Inventories	-	293,298	1,104,353	2,048,502	248,439	3,694,592	114,638
Pension asset	-	62,254	23,867	153,506	125,463	364,790	25,531
<b>Total current assets</b>	<b>3,429,757</b>	<b>4,070,438</b>	<b>10,636,854</b>	<b>46,163,797</b>	<b>3,202,676</b>	<b>67,503,522</b>	<b>4,671,085</b>
<b>Noncurrent assets</b>							
Cash and investments - restricted	-	4,161,635	3,821,912	19,230,006	-	27,213,553	-
Capital assets:							
Land and improvements	63,945	60,477	14,944	691,571	509,232	1,340,169	-
Construction in progress	837,154	918,577	697,561	19,002,846	631,298	21,887,436	-
Buildings, structures, and improvements	42,812,225	41,548,379	41,807,731	153,300,156	3,460,573	282,929,064	-
Equipment	31,869,961	12,832,934	1,792,143	13,054,212	4,877,667	64,426,917	10,215,861
Less - accumulated depreciation	(29,718,518)	(23,186,812)	(15,280,534)	(64,533,057)	(3,173,327)	(135,892,248)	(7,945,587)
<b>Total noncurrent assets - net</b>	<b>45,864,767</b>	<b>36,335,190</b>	<b>32,853,757</b>	<b>140,745,734</b>	<b>6,305,443</b>	<b>261,904,891</b>	<b>2,270,274</b>
<b>Total assets</b>	<b>\$ 49,034,524</b>	<b>\$ 40,405,628</b>	<b>\$ 43,490,611</b>	<b>\$ 186,909,531</b>	<b>\$ 9,508,119</b>	<b>\$ 329,408,413</b>	<b>\$ 6,941,359</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 257,465	\$ 57,607	\$ 917,271	\$ 7,472,037	\$ 232,469	\$ 8,936,849	\$ 47,291
Accrued interest	234,741	27,205	4,916	334,649	77	601,588	119
Due to other funds	-	-	-	-	156,713	156,713	-
Due to other governments	-	-	-	-	-	-	556,900
Refundable deposits	-	-	-	2,433,966	-	2,433,966	-
Pension liability	19,234	-	-	-	27,119	46,353	-
Hedging liability	648,284	99,130	2,057,363	709,185	113,801	2,057,363	-
Long-term liabilities - due within one year	-	46,525	-	-	-	1,616,925	21,837
<b>Total current liabilities</b>	<b>1,159,724</b>	<b>183,942</b>	<b>3,026,075</b>	<b>10,949,837</b>	<b>530,179</b>	<b>15,849,757</b>	<b>626,147</b>
<b>Noncurrent liabilities</b>							
Long-term liabilities - due in more than one year	12,337,879	6,254,533	1,169,577	26,499,468	21,581	46,283,038	24,924
Compensated absences	-	6,905	5,112	22,694	11,847	46,558	-
<b>Total noncurrent liabilities</b>	<b>12,337,879</b>	<b>6,261,438</b>	<b>1,174,689</b>	<b>26,522,162</b>	<b>33,428</b>	<b>46,329,596</b>	<b>24,924</b>
<b>Total liabilities</b>	<b>13,497,603</b>	<b>6,445,380</b>	<b>4,200,764</b>	<b>37,471,999</b>	<b>563,607</b>	<b>62,179,353</b>	<b>651,071</b>
<b>NET ASSETS</b>							
Invested in capital assets - net of related debt	35,679,466	25,933,939	27,948,126	94,768,860	6,291,403	190,621,794	2,248,437
Restricted for incomplete capital projects	5,183,464	4,161,635	3,821,912	28,233,579	600,777	42,001,357	-
Unrestricted	(5,265,999)	3,864,674	7,519,809	26,435,093	2,052,332	34,605,809	4,041,851
<b>Total net assets</b>	<b>\$ 35,596,921</b>	<b>\$ 33,960,248</b>	<b>\$ 39,289,847</b>	<b>\$ 149,437,532</b>	<b>\$ 8,944,512</b>	<b>\$ 287,229,080</b>	<b>\$ 6,290,288</b>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
ENTERPRISE FUNDS

Year Ended June 30, 2009

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services	\$ 9,306,293	\$ 6,930,045	\$ 32,455,492	\$ 98,949,807	\$ 5,791,501	\$ 153,433,138	\$ 5,772,540
<b>OPERATING EXPENSES</b>							
Purchased services	-	-	23,262,370	68,117,501	-	91,379,871	-
Production	-	-	-	626,232	-	626,232	-
Transmission	2,759,146	1,336,654	-	1,098,993	-	5,194,793	-
Engineering	-	230,212	374,262	738,800	-	1,343,274	-
Distribution	1,017,962	629,703	561,586	2,871,997	-	5,081,248	-
Services	166,142	79,083	102,138	-	6,185,392	6,532,755	-
Depreciation	1,777,292	1,445,591	1,178,426	5,498,255	394,989	10,294,553	607,244
Meters/regulators	-	87,874	138,099	445,168	-	671,141	5,415,536
General and administrative	418,440	1,166,935	2,031,209	4,659,933	-	8,276,517	-
<b>Total operating expenses</b>	<b>6,138,982</b>	<b>4,976,052</b>	<b>27,648,090</b>	<b>84,056,879</b>	<b>6,580,381</b>	<b>129,400,384</b>	<b>6,022,780</b>
<b>Operating income (loss)</b>	<b>\$ 3,167,311</b>	<b>\$ 1,953,993</b>	<b>\$ 4,807,402</b>	<b>\$ 14,892,928</b>	<b>\$ (788,880)</b>	<b>\$ 24,032,754</b>	<b>\$ (250,240)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Sales income	-	-	-	-	122,200	122,200	-
Jobbing income	301,137	55,546	160,463	532,183	28,625	1,077,954	-
Rental income	-	34,182	-	-	31,288	65,470	-
Recovered cost	6,822	-	928,975	9,236	17,947	962,980	21,965
Gain (loss) on sale of capital assets	3,288	(9,450)	(1,292,738)	(56,413)	(41,809)	(1,397,122)	78,243
Federal and state grants	-	-	-	-	832,039	832,039	-
In-kind contributions	-	-	-	-	152,062	152,062	-
Interest income	52,608	221,585	244,995	1,362,966	141,461	2,023,615	128,811
Interest expense	(557,551)	(289,195)	(50,873)	(943,337)	(1,220)	(1,842,176)	(1,895)
<b>Total nonoperating revenues (expenses)</b>	<b>(193,696)</b>	<b>12,668</b>	<b>(9,178)</b>	<b>904,635</b>	<b>1,282,593</b>	<b>1,997,022</b>	<b>227,124</b>
<b>Income (loss) before contributions and transfers</b>	<b>2,973,615</b>	<b>1,966,661</b>	<b>4,798,224</b>	<b>15,797,563</b>	<b>493,713</b>	<b>26,023,776</b>	<b>(23,116)</b>
Capital contributions	30,571	201,187	158,235	1,552,919	49,068	1,991,980	-
Transfers in	-	-	-	-	270,859	270,859	-
Transfers out	(677,760)	(933,300)	(2,658,330)	(9,062,610)	(302,000)	(13,632,000)	-
<b>Total</b>	<b>(647,189)</b>	<b>(732,113)</b>	<b>(2,498,095)</b>	<b>(7,509,691)</b>	<b>17,927</b>	<b>(11,369,161)</b>	<b>-</b>
<b>Change in net assets</b>	<b>2,326,426</b>	<b>1,234,548</b>	<b>2,300,129</b>	<b>8,287,872</b>	<b>511,640</b>	<b>14,660,615</b>	<b>(23,116)</b>
<b>Total net assets - beginning of year</b>	<b>33,270,495</b>	<b>32,725,700</b>	<b>36,989,718</b>	<b>141,149,660</b>	<b>8,432,872</b>	<b>252,568,445</b>	<b>6,313,404</b>
<b>Total net assets - end of year</b>	<b>\$ 35,596,921</b>	<b>\$ 33,960,248</b>	<b>\$ 39,289,847</b>	<b>\$ 149,437,532</b>	<b>\$ 8,944,512</b>	<b>\$ 267,229,060</b>	<b>\$ 6,290,288</b>

The accompanying notes are an integral part of these financial statements.



## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2009

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>Cash flows from operating activities</b>							
Received from customers	\$ 9,320,006	\$ 6,846,160	\$ 33,778,131	\$ 99,904,896	\$ 5,677,624	\$ 155,526,817	\$ 5,773,212
Payments to suppliers for goods and services	(3,699,701)	(1,974,481)	(27,244,657)	(73,827,748)	(2,680,117)	(109,426,704)	(4,436,398)
Payments to employees for services	(526,764)	(1,562,488)	(1,128,818)	(4,836,572)	(3,041,723)	(11,096,365)	(837,194)
Payments to internal service funds for goods and services	(190,106)	(5,798)	(1,088)	(22,724)	(446,660)	(666,376)	(44,499)
Nonoperating revenue	6,822	89,728	1,089,438	472,739	200,060	1,858,787	586
<b>Net cash from operating activities</b>	4,910,257	3,393,121	6,493,006	21,690,591	(290,816)	36,196,169	453,707
<b>Cash flows from noncapital financing activities</b>							
Transfers from other funds	-	-	-	-	270,859	270,859	-
Transfers to other funds	(677,760)	(933,300)	(2,656,330)	(9,062,610)	(302,000)	(13,632,000)	-
Operating grants received	300,610	-	(52,520)	-	658,307	906,397	-
<b>Net cash from noncapital financing activities</b>	(377,150)	(933,300)	(2,708,850)	(9,062,610)	627,166	(12,454,744)	-
<b>Cash flows from capital and related financing activities</b>							
Acquisition of capital assets	(1,119,301)	(1,018,535)	(2,772,285)	(11,046,965)	(983,923)	(16,941,009)	(527,986)
Principal payments on long-term debt	(7,117,717)	(7,538,863)	(1,339,207)	(5,914,327)	(38,923)	(21,949,037)	(60,541)
Proceeds on long-term debt	5,547,238	6,670,482	1,183,141	14,754,848	16,068	28,171,777	24,993
Interest payments on long-term debt	(408,184)	(278,757)	(47,945)	(773,437)	(1,701)	(1,510,024)	(2,846)
Proceeds from sale of capital assets	3,288	1,412	(1,291,119)	25,941	2,300	(1,258,178)	78,243
Nonoperating grants received	-	-	-	-	-	-	21,379
Contributed capital	30,571	201,187	158,235	1,552,919	49,068	1,991,980	-
<b>Net cash from capital and related financing activities</b>	(3,064,105)	(1,963,074)	(4,109,180)	(1,401,021)	(957,111)	(11,494,491)	(466,558)
<b>Cash flows from investing activities</b>							
Interest on investments	52,576	215,706	246,363	1,174,909	137,075	1,826,629	124,859
Net activity in investment securities	(413,687)	(489,373)	2,204,796	(183,563)	3,727	1,121,900	2,921
<b>Net cash from investing activities</b>	(361,111)	(273,667)	2,451,159	991,346	140,802	2,948,529	127,780
<b>Net increase in cash and investments</b>	1,107,891	223,080	2,126,135	12,218,306	(479,959)	15,195,453	114,929
<b>Cash and investments - beginning of year</b>	1,259,472	7,066,848	7,208,844	37,036,464	2,449,872	55,021,500	4,412,523
<b>Cash and investments - end of year</b>	\$ 2,367,363	\$ 7,289,928	\$ 9,334,979	\$ 49,254,770	\$ 1,969,913	\$ 70,216,953	\$ 4,527,452

(Continued on next page)

## CITY OF DANVILLE, VIRGINIA

Exhibit G  
(Continued)

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2009

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	\$ 3,167,311	\$ 1,953,993	\$ 4,807,402	\$ 14,892,928	\$ (788,880)	\$ 24,032,754	\$ (250,240)
Adjustments:							
Depreciation charged to operations	1,777,292	1,445,591	1,178,426	5,498,255	394,989	10,294,553	607,244
In-kind contributions	-	-	-	-	152,062	152,062	-
Change in noncash employee benefits charged to operations	(3,223)	1,615	(64,579)	(99,619)	(23,779)	(189,585)	(11,236)
Nonoperating revenue	6,822	89,728	1,089,438	541,419	200,060	1,927,467	586
Changes in assets and liabilities:							
Receivables	13,713	(83,885)	1,322,639	764,174	(114,878)	1,901,763	671
Reserve for uncollectibles	4,900	3,200	1,700	55,500	1,000	66,300	-
Inventories	-	628	862,779	(342,525)	(108,800)	412,082	(19,007)
Accounts payable	(56,558)	(17,749)	(2,704,799)	258,224	(6,706)	(2,527,588)	125,689
Due to primary government	-	-	-	-	4,116	4,116	-
Refundable deposits	-	-	-	122,235	-	122,235	-
<b>Net cash from operating activities</b>	<b>\$ 4,910,257</b>	<b>\$ 3,393,121</b>	<b>\$ 6,493,006</b>	<b>\$ 21,690,591</b>	<b>\$ (290,816)</b>	<b>\$ 36,196,159</b>	<b>\$ 453,707</b>
<b>Supplemental disclosure of noncash investing, capital, and financing activities</b>							
Increase in fair value of investments	\$ 32	\$ 5,880	\$ (1,368)	\$ 29,073	\$ 4,497	\$ 38,114	\$ 3,952

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

	Pension	Agency
	Employees'	Veterans
	Retirement Plan	Memorial Fund
<b>ASSETS</b>		
Cash	\$ 6,011	\$ 13,421
Accrued interest and dividends	101,002	-
Investments - at fair value:		
Common stocks	76,590,238	-
Corporate bonds	22,628,134	-
Foreign stocks	28,662,380	-
U.S. government obligations	4,152,108	-
Other investments	20,129,941	-
Total investments	152,162,801	-
<b>Total assets</b>	<b>152,269,814</b>	<b>13,421</b>
<b>LIABILITIES</b>		
Accounts payable	173,824	13,421
<b>NET ASSETS</b>		
Held in trust	\$ 152,095,990	\$ -

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2009

	<u>Employees'</u> <u>Retirement Plan</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 4,465,421
Employee	28,882
<b>Total contributions</b>	<u>4,494,303</u>
Investment earnings:	
Net decrease in fair value of investments	(43,071,671)
Interest	1,314,711
Dividends	<u>2,017,996</u>
<b>Total investment income</b>	(39,738,964)
Less - investment expenses	<u>(765,114)</u>
<b>Net investment income</b>	<u>(40,504,078)</u>
<b>Total additions (deductions)</b>	<u>(36,009,775)</u>
<b>DEDUCTIONS</b>	
Benefits paid to participants	8,734,869
Refunds of contributions	136,262
Administrative expenses	<u>118,776</u>
<b>Total deductions</b>	<u>8,989,907</u>
<b>Change in net assets</b>	(44,999,682)
<b>Net assets held in trust for pension benefits - beginning of year</b>	<u>197,095,672</u>
<b>Net assets held in trust for pension benefits - end of year</b>	<u>\$ 152,095,990</u>

*The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2009

	Danville Public Schools	Industrial Development Authority	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,852,133	\$ 435,040	\$ 2,287,173
Cash and investments - held by fiscal agents	2,869,669	-	2,869,669
Receivables - net	32,356	77,912	110,268
Due from City of Danville	5,189,994	-	5,189,994
Due from other governments	3,369,148	-	3,369,148
Prepayments	149,668	51,066	200,734
Inventories	922,475	-	922,475
Capital assets:			
Land and construction in progress	4,056,386	722,945	4,779,331
Other capital assets - net	7,579,206	11,817,590	19,396,796
<b>Total assets</b>	<b>\$ 26,021,035</b>	<b>\$ 13,104,553</b>	<b>\$ 39,125,588</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 825,813	\$ 34,972	\$ 860,785
Accrued salaries	3,908,628	-	3,908,628
Accrued payroll taxes	299,074	-	299,074
Accrued expenses	-	39,440	39,440
Deferred grant revenue	1,815,539	-	1,815,539
Long-term liabilities:			
Due within one year	1,451,079	291,198	1,742,277
Due in more than one year	3,830,312	9,843,976	13,674,288
<b>Total liabilities</b>	<b>12,130,445</b>	<b>10,209,586</b>	<b>22,340,031</b>
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	11,635,592	947,013	12,582,605
Restricted for:			
Insurance payments	2,869,669	-	2,869,669
Unrestricted	(614,671)	1,947,954	1,333,283
<b>Total net assets</b>	<b>\$ 13,890,590</b>	<b>\$ 2,894,967</b>	<b>\$ 16,785,557</b>

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2009		Net (Expense) Revenue and Changes in Net Assets				
	Expense	Program Revenues			Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Danville Public Schools	Industrial Development Authority
						Totals
DANVILLE PUBLIC SCHOOLS Education	\$ 73,660,551	\$ 1,174,492	\$ 22,992,861	\$ 1,157,167	\$ (48,336,031)	\$ -
INDUSTRIAL DEVELOPMENT AUTHORITY Economic Development	9,178,321	866,028	7,276,800	1,000,000	-	(35,493)
Total component units	\$ 82,838,872	\$ 2,040,520	\$ 30,269,661	\$ 2,157,167	\$ (48,336,031)	\$ (35,493)
						(48,371,524)
General revenues:						
City of Danville					16,998,805	-
State aid - unrestricted					31,157,646	-
Investment income					18,019	8,310
Miscellaneous					338,935	-
Total general revenues					48,513,405	8,310
						48,521,715
Change in net assets						
					177,374	(27,183)
						150,191
Net assets - beginning of year						
					13,713,216	2,922,150
						16,635,366
Net assets - end of year						
					\$ 13,890,590	\$ 2,894,967
						\$ 16,785,557

The accompanying notes are an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS



## CITY OF DANVILLE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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June 30, 2009

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#### 1. Organization and Nature of Operations

##### ***Reporting Entity***

The **City of Danville** (City), located in southwest Virginia at the North Carolina border, was founded in 1793 and chartered in 1830. The City covers an area of approximately 44 square miles and has a population of approximately 50,000.

The City is governed under the City Manager-Council form of government. The City engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

#### 2. Summary of Significant Accounting Policies

The financial statements of the City of Danville, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

##### ***A. Financial Reporting Entity***

The City follows GASB Statement No. 14 (GASB 14), *The Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity including participation in joint ventures, jointly governed organizations and financial statements of component units when they are in a governmental financial reporting entity.

The City follows GASB Statement No. 34 (GASB 34), *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. The City also follows GASB Statement No. 37 (GASB 37), *Reporting Model Omnibus*. This standard clarified and modified certain requirements of GASB 34 in regards to the Management Discussion and Analysis, capital assets, and the determination of governmental or enterprise funds to be reported as a major fund. GASB Statement No. 34 adds the following components to the financial statements:

1. **Management's Discussion and Analysis** – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.
2. **Government-wide financial statements** – These include the financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

3. **Statement of Net Assets** – The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Invested in capital assets, net of related debt is comprised of capital assets less long-term debt related to these assets. Compensated absence liabilities are not a part of this calculation. Restricted assets are defined as assets restricted from or by parties outside the City. Unrestricted is defined as the remaining assets available for unrestricted use by the City.
4. **Statement of Activities** - The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
5. **Budgetary comparison schedules** - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of the state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore data from these units would be combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30, fiscal year-end.

#### ***B. Government-wide and Fund Accounting Financial Statements***

The basic financial statements include both government-wide (based on the City as a whole) and fund accounting financial statements. While the reporting model before GASB 34, emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related charges for services, operating and capital grants, and contributions. The charges for services must be directly associated with the function (public safety, public works, health and welfare, etc.) or be a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while

the capital grants column reflects capital-specific grants. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund based financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third-party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

## **1. Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed.

### **a. General Fund**

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and investment income. A significant part of the General Fund's revenues is transferred to other funds and component units, principally to finance the operations of the City of Danville's Public Schools.

### **b. Community Development**

The Community Development Fund accounts for all financial resources used for the growth of the City through state, federal, and local grants and donations. This fund is accounted for as a major governmental fund for reporting purposes by the City.

### **c. Capital Projects Fund**

The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by enterprise or nonexpendable trust funds. The Capital Projects Fund is considered a major governmental fund for reporting purposes.

### **d. Special Revenue Fund**

The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Fund is considered a nonmajor governmental fund for reporting purposes.

**e. Cemetery Maintenance Fund**

The Cemetery Maintenance Fund accounts for the financial resources used for the maintenance of the City's cemetery. All funds are generated by the sale of perpetual care contracts, and only the interest is used for the benefit of the primary government. This fund is accounted for as a permanent (nonmajor) fund for governmental reporting purposes.

**f. Internal Service Fund**

The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The Internal Service Fund is included in governmental activities for government-wide reporting purposes. The excess revenue or expenses for the fund are allocated to the appropriate functional activity. Major internal service funds are used to account for the activities of the City's motor pool, central printing, and insurance.

**2. Enterprise Funds**

Enterprise Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through enterprise funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Enterprise Funds and Other Governmental Entities That Use Enterprise Fund Accounting*, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for Enterprise funds.

Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City defines operating revenues and expenses as those generated by the principal ongoing operation of the enterprise fund. Nonoperating revenues and expenses are those activities not generated by the ongoing activities of the fund such as interest income and expense, gain or loss on sale of capital assets and miscellaneous recoveries and rebates.

The City's major Enterprise Funds are used to account for wastewater, water, gas, and electricity.

**3. Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The only major fiduciary fund of the City is used to account for the City's Employee Retirement System activity. For accounting measurement purposes, the Pension Trust Fund is accounted for in essentially the same manner as enterprise funds. The Pension Trust Fund accounts for the assets of the City's pension plan. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The only agency fund is the Veteran's Memorial Fund which is managed by the City for the benefit of the local memorial and funded by private donations. Fiduciary funds are not included in the government-wide financial statements.

**C. Discretely Presented Component Units**

Danville Public Schools (DPS) are organized as an independently governed school system for operating the public schools of the City. Board members are appointed by City Council by authority of the City Charter. Danville Public Schools are financially dependent on appropriations by the City Council for current operations, and any surplus funds are returned to the City annually. In addition, major capital improvements are financed by long-term debt issued by the City. In accordance with

requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, Danville Public Schools are considered to be a major component unit of the City.

The Industrial Development Authority (IDA) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City Council pursuant to provisions of the *Industrial Revenue Bond Act of the Code of Virginia (1950)* as amended. Seven directors appointed by the City Council of Danville govern the IDA. The City provides the majority of the IDA's funding. The IDA operates as a component unit solely for the purpose of economic development for the City of Danville. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

These financial statements are shown on Exhibits J and K.

Complete financial statements for each of the component units may be obtained at the entity's offices:  
Danville Public Schools  
P.O. Box 9600  
Danville, Virginia 24543

Industrial Development Authority of Danville  
P.O. Box 3300  
Danville, Virginia 24543

#### ***D. Danville's Jointly Governed Organizations***

City Council, in conjunction with the Board of Supervisors of Pittsylvania County, Virginia (County), established Danville-Pittsylvania Community Services (DPCS) in 1972 to implement the provisions of Chapter 10 of Title 37.1 of the *Code of Virginia (1950)*, as amended. The primary function of DPCS is the establishment and operation of mental health, mental retardation, and substance abuse programs within the jurisdictional limits of the City and County. Seven members of the fifteen-member board of directors are appointed by City Council, and the County's Board of Supervisors appoints the remaining eight members. The Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for DPCS comes from state and federal grants, as well as from charges for services. The City and County provide some financial assistance, but DPCS is not financially dependent on the City or the County. While not a component unit of the City or the County, DPCS is considered to be a jointly governed organization since neither the City nor the County has determinable ongoing financial interests, in, or responsibilities for, DPCS. During the year ended June 30, 2009, the City provided \$168,411 in funding for Danville-Pittsylvania Community Services. In addition, state and federal grants totaling \$8,668,027 passed through the City to DPCS.

In July 1995, City Council approved an intergovernmental agreement with Pittsylvania County, Virginia, establishing the Danville-Pittsylvania Community Policy and Management Board (Board). This Board was created under the provisions of the *Virginia Comprehensive Services Act* for at-risk youth and families, establishing a Family Assessment Team to review individual needs and to make recommendations to the Board. Pittsylvania County acts as fiscal agent for the Board and provides office space and personnel. The City of Danville has agreed to reimburse the County for 50% of the operating costs as well as provide legal services. While not a component unit of the City or the County, the Board is considered to be a jointly governed organization, since neither the City nor the County has determinable ongoing financial interests in, or responsibilities for, the Board. During the year ended June 30, 2009, the City provided \$59,296 in funding for the Danville-Pittsylvania Community Policy and Management Board.

In 2001, the Danville-Pittsylvania Regional Industrial Facility Authority (Facility Authority) was created by ordinance of the Board of Supervisors of Pittsylvania County, Virginia, and the City Council of Danville, Virginia, to promote and further the purposes of the Virginia Regional Industrial Facilities Act, Chapter 64, Title 15.2 of the *Code of Virginia (1950)*, as amended (Facility Act). The Facility Authority is an entity jointly owned by the City of Danville and Pittsylvania and is a political subdivision of the Commonwealth. The Facility Authority is empowered, among other things, to borrow money to pay the costs of real estate and all improvements located in industrial parks intended to be occupied

by manufacturing, warehousing, distribution, office or other commercial enterprise. In addition, the Facility Authority is authorized under the Facility Act to issue revenue bonds to finance facilities for such enterprises and to refund such bonds. The Facility Authority has no taxing power.

### **Commitments/Subsequent Events**

The Facility Authority has the following commitments at June 30, 2009:

- Approximately \$1.6 million in outstanding engineering, construction and consulting contracts, of which \$700,000 had not been expended.
- In July 2009, the Facility Authority purchased 504 acres at the Berry Hill Mega Park Site for approximately \$1.9 million. This was the final land acquisition needed for the creation of the 3500+ acre Mega Park. The City of Danville advanced the funding to the Authority for this purchase. The Authority will repay the City, including interest, once permanent financing is obtained for the project.

### ***E. Basis of Accounting***

The Government-wide Statement of Net Assets and Statement of Activities, all enterprise funds and pension trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Assets. Enterprise fund-type operating statements present increases; e.g., revenues, and decreases; e.g., expenses as changes in net assets. Long-term assets and long-term liabilities are included in the government-wide statements. In accordance with the principles of consolidation, all internal balances between governmental and business-type activities have been eliminated in the statement of net assets. All internal activity between the governmental and business-type funds have been eliminated in the government-wide statement of activities.

The Statement of Net Assets and Statement of Activities of the enterprise funds and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet in the funds statements. Operating statements of these funds present increases; i.e., revenues and other financing sources and decreases; i.e., expenditures and other financing uses, as changes in fund balances.

The fund financial statements of the General, Special Revenue, Capital Projects, and nonmajor governmental funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end, but which are not available, are deferred. Investment income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

### ***F. Encumbrances***

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General, Capital Projects Funds, and Community Development Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent

fiscal year. These encumbrances are subject to reappropriation by Council ordinance of the succeeding fiscal year.

### ***G. Cash and Investments***

Cash resources of the individual funds, excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Enterprise Funds, and Fiduciary Funds, are combined to form a pool of cash and investments to maximize earnings. Investments in the pool consist of obligations of the federal government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings are allocated to the various funds based on their equity in the investment pool.

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The fair value of investments is based on quoted market prices; no investments are valued at cost, except for certificates of deposit. All investments in external investment pools are reported at fair value.

### ***H. Allowance for Uncollectible Accounts***

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

#### **General Fund allowance:**

Fines and forfeitures receivable	\$ 3,146,113
Taxes receivable	812,356
Miscellaneous reserves	323,024
	<u>\$ 4,281,493</u>

#### **Enterprise Fund allowance:**

Consumer receivables	
Wastewater	\$ 9,200
Water	5,300
Gas	18,000
Electric	109,000
	<u>\$ 141,500</u>

The component units' customer accounts receivable are considered fully collectible, and; therefore, an allowance for uncollectible accounts is not applicable to those receivables.

### ***I. Inventories of Supplies, Prepayments and Other Assets***

#### **1. Primary Government**

Inventories in the General Fund consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Purchases of noninventory items are recorded as expenditures under the consumption method, resulting in prepaid expenditures. Prepaid expenditures in reimbursable grants are offset by deferred revenue until expenditures are recognized. Inventories in the General Fund are costed on the first-in, first-out basis, and Enterprise Funds are costed by the moving-average cost method.

#### **2. Component Units**

Inventories for Danville Public Schools are comprised of food, supplies, and textbooks held for consumption. Quantities on hand at year-end are recorded at cost on the balance sheet with an offsetting reservation of fund balance, which indicates they do not constitute expendable available financial resources. The cost of textbooks is determined by current replacement cost adjusted for estimated wear and tear.

## ***J. Capital Assets***

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the Enterprise Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. The capitalization threshold for capitalizing capital assets is \$5,000, and the infrastructure capitalization threshold is \$100,000. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives of capital assets are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

## ***K. Compensated Absences and Other Employee Benefits***

Expenditures for compensated absences and self-insured group hospitalization and workers' compensation in governmental funds are recorded when the obligations are paid. The current portions are not recorded as liabilities in governmental funds since these will not be liquidated with expendable available financial resources. Compensated absences are reported in governmental funds only if they have matured. The amounts reported are the unused reimbursable compensated absences still outstanding following an employee's resignation or retirement. In enterprise funds, both the expenses and the liabilities are recorded as the benefits are earned. All liabilities, current and long-term, are recorded in the Government-wide Statement of Net Assets.

### **1. Vacation Pay**

The City's policy regarding vacation pay allows for the unlimited accumulation of unused benefits. Unused vacation pay is paid upon termination of employment. The Danville Public Schools allows for the accumulation of vacation pay that may be used by employees when retiring early, but is not paid at termination.

### **2. Sick Pay**

Accumulated sick leave benefits earned but unpaid at the end of the fiscal year are recorded as a liability at the balance sheet date. Accumulated sick leave is paid to employees upon retirement from employment at a rate of \$1.50 per hour up to a maximum of 960 hours (\$1,440 per employee). Up to one year of unused sick leave may be applied to total service years upon retirement.

### **3. Group Hospitalization**

All permanent employees of the City, including elected officials and their staff, are eligible to participate in the City's group insurance program. The City contributes 70% of the premium for active participating employees. The City is self-insured for group hospitalization with the exception of \$125,000 stop loss coverage.



#### **4. Workers' Compensation**

The City is self-insured for all workers' compensation claims. There were no significant claims incurred but not reported as of June 30, 2009. Liabilities are estimated on a case-by-case review of all outstanding claims by an independent claims agent.

#### **5. Other Postemployment Benefits**

All permanent employees of the City are eligible to continue their hospitalization and group life insurance into retirement. The City contributes 13% of the premium for retirees who are under 65 years of age and who retired prior to January 1, 2009. Retirees under age 65, who retired after January 1, 2009, pay 100% of the premium. Retirees over 65 years of age can continue their hospitalization insurance as a supplement to Medicare, but must pay 100% of the premium.

Danville Public Schools allow employees who participate in the Supplemental Retirement Plan to continue coverage under the School Board's health insurance program. The retirees pay the entire premium. Retirees who qualify to receive Virginia Retirement System (VRS) retirement benefits may continue in the VRS group life insurance program. The VRS does not charge a premium for this coverage.

#### ***L. Deferred Revenue***

Included in deferred revenue in the Governmental Funds Balance Sheet is \$8,288,173 of property taxes not collected within forty-five days of year-end.

#### ***M. Long-Term Debt***

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For enterprise fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year of issue.

#### ***N. Fund Balance***

Reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Enterprise Funds' contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, or other funds.

##### **1. Reservations of Fund Balance**

Except for those required to comply with accounting standards, all reservations and designations of General Fund balance reflect City Council action in the context of adoption of the City's budget.

##### **2. Encumbrances**

These fund balances have been reserved for goods and services encumbered, or ordered, before the end of the fiscal year, for which delivery of goods and services have not been made prior to the close of the fiscal year.

##### **3. Approved Capital Projects**

These balances are reserved for capital projects that City Council has already approved.

#### **4. Debt Service**

This balance has been reserved for the accumulation of resources for the payment of general long-term debt principal.

#### **O. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 30, 2009, the date the financial statements were available to be issued.

### **3. Deposits and Investments**

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (Act), Section 2.1-359 et. seq of the *Code of Virginia* (1950), as amended, or covered by federal depository insurance.

#### **A. Deposits**

##### **Primary Government**

At year-end, the carrying value of the City's deposits with banks was \$4,191,445, and the bank balances were \$5,174,869. The entire bank balance was covered by federal deposit insurance or collateralized in accordance with the Act.

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

However, all qualified banks' public deposits are considered 100% "insured" (per GASB Statement 3, paragraph 11) because the Act provides for additional assessments to be made. This means that if a qualified bank was to fail, all collateral in the pool would be used to cover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro-rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance. At June 30, 2009, no balances of the primary government were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

##### **Component Units**

The carrying value of deposits for Danville Public Schools was \$1,032,021 and the bank balance was \$2,025,191. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Act at June 30, 2009. Cash held by physical agents of \$2,869,669 is comprised of \$2,504,026 in the self-insurance fund for health coverage by the carrier and \$365,643 in the escrow account of the workman's compensation carrier.

At year-end, the IDA's deposits with banks were \$435,040. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$185,040 was collateralized in accordance with the Act.

#### **B. Investments**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the

Asian Development Bank, the African Development Bank, mutual fund shares of the Virginia State Non-Arbitrage Program (SNAP), commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the investment in the LGIP is equal to the value of the pool shares. The Auditor of Public Accounts is the oversight body for the LGIP. During the fiscal year, the City had investments in obligations of the United States, LGIP, SNAP and certificates of deposit.

A designated portfolio manager managed the investments in U.S. Treasuries during fiscal year 2006. The City has a contract with the manager which requires that, at the time funds are invested, the certificates are to be held in the City's name in the trust department of the City's independent third-party safekeeping custodian, Wachovia Bank, N.A.

The City maintains one pension plan. The Pension Trust Fund investments are handled by independent portfolio managers. Investment restrictions for the pension trust focus on investment mix and limiting the percentage of the total portfolio that may be invested in a given instrument.

The City is subject to interest rate, credit and custodial risk as described below:

### **Interest Rate Risk**

As a means of limiting the City's exposure to fair value losses arising from interest rates the City's investment policy has limited its investments to maturities of no more than 5 years.

### **Credit Risk**

In accordance with state statutes, the current investment policy of the City authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia Local Government Investment Pool (LGIP), and Virginia's State Non-Arbitrage Pool (SNAP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and SNAP. During the fiscal year, the City made investments in each of these categories. The investments of the City's pension plan, are handled by The Northern Trust Company, a company with an AA- rating by Standard & Poor's rating agency. The investments for the plan are directed by the board of employees and are invested in various securities and equities in guaranteed investment accounts. The City has directed Northern Trust Company to invest the Plan's funds. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS).

The City's rated debt investment as of June 30, 2009 was in LGIP and was rated AAA by Standard and Poor's. The City's pension fund investments were rated by Standard and Poor's also and are included in the chart below.

### **Custodial Risk**

For an investment, custodial risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A designated portfolio manager placed the City's pension plan investments. The City has a contract with the portfolio manager which requires that, at the time funds are invested, investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

As of June 30, 2009, the City had the following investments and maturities:

**Investment Maturities**

	Fair Value	Less than 1 year	1 -5 years	Long-term
U.S. Treasuries	\$ 37,826,498	\$ 2,134,128	\$ 35,692,370	\$ -
CDs	21,610,234	2,006,167	19,604,067	-
LGIP	10,979,829	-	-	-
Total investments	70,416,561	4,140,295	55,296,437	-
Employees' Retirement System	152,162,801	-	-	152,162,801
Total	222,579,362	\$ -	\$ 55,296,437	\$ 152,162,801

**Reconciliation to Total Cash  
and Investments:**

Add:	
Cash on hand and in banks	29,440,137
Cash with fiscal agents	9,918,253
<b>Total deposits and investments:</b>	<b>\$ 261,937,752</b>

**Component Unit**

Statutes authorize DPS to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or p-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). For the current fiscal year, DPS was only invested in the LGIP.

Credit Risk - DPS's current investment policy limits investments to the LGIP. Standard & Poor has assigned a rating of AAA to this pool.

Investments held by DPS at June 30, 2009 were as follows:

Investment	Fair Value
LGIP	\$ 819,087

The following is a reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2009.

**Governmental Activities:**

	Governmental Activities	Fiduciary Assets	Total
Cash and investments	\$ 38,657,318	\$ 6,011	\$ 38,663,329
Cash and investments with fiscal agents	900,680	152,162,801	153,063,481
Total primary government	39,557,998	152,168,812	191,726,810

**Business-Type Activities**

Cash and investments	70,202,953	-	70,202,953
Cash held by fiscal agents	14,000	-	14,000
	70,216,953	-	70,216,953

**Component Units**

Cash and investments	2,287,173	-	2,287,173
Cash held by fiscal agents	2,869,669	-	2,869,669
Total component units	5,156,842	-	5,156,842
Total cash and investments	\$ 114,931,793	\$ 152,168,812	\$ 267,100,605

**Reserved cash and investments.** Equity in pooled cash and investments was reserved for the following purposes:

	Reserved for Incomplete Projects	Reserved for Other Purposes	Total Reserved Cash
General fund:			
Encumbrances	\$ -	\$ 1,546,104	\$ 1,546,104
Health Insurance	-	2,531,580	2,531,580
OPEB	-	500,000	500,000
Debt service	-	688,291	688,291
Specific projects	-	4,170,945	4,170,945
	\$ -	\$ 9,436,920	\$ 9,436,920
Enterprise funds:			
Wastewater	5,183,454	-	5,183,454
Water	4,161,635	-	4,161,635
Gas	3,821,912	-	3,821,912
Electric	28,233,579	-	28,233,579
Nonmajor	600,777	-	600,777
	\$ 42,001,357	\$ -	\$ 42,001,357

**4. Fair Value Measurements**

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

**Primary Government:**

*U.S. Treasuries:* Valued at the closing price reported on the active market on which the stocks are traded.

**Employees' Retirement System:**

*Common stocks and foreign stocks:* Valued at the closing price reported on the active market on which the stocks are traded.

*Corporate bonds, U.S. Government and agency issues:* Valued at the closing price reported on the active market on which the securities are traded.

*Real Estate-Timberland:* Valued at appraised value by licensed appraisers annually.

*Temporary cash investments:* Valued as cash at the end of the period.

*Private equity:* Valued using the market approach using a multiple of earnings measurement .

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the ERS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the ERS's assets at fair value:

Assets at Fair Value as of June 30, 2009				
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 76,590,238	\$ -	\$ -	\$ 76,590,238
Corporate bonds	22,628,134	-	-	22,628,134
Foreign stocks	28,662,380	-	-	28,662,380
U.S. Government and agency issues	4,152,108	-	-	4,152,108
Real estate – timberland	-	-	9,965,128	9,965,128
Temporary cash investments	9,323,337	-	-	9,323,337
Private equity	-	-	841,476	841,476
<b>Totals assets at fair value</b>	<b>\$ 141,356,197</b>	<b>\$ -</b>	<b>\$ 10,806,604</b>	<b>\$ 152,162,801</b>

### Level 3 Gains and Losses

The following schedule summarizes the changes in the fair value of the ERS's level 3 investment assets for 2009:

Balance – beginning of year	\$ 7,350,815
Purchases	3,541,476
Change in fair value	(85,687)
<b>Balance – end of year</b>	<b>\$ 10,806,604</b>

## 5. Receivables

Receivables in the fund financial statements at June 30, 2009 consist of the following:

### Governmental Funds

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total	Business-type Activities
Receivables:						
Taxes and Licenses	\$ 13,949,756	\$ -	\$ -	\$ -	\$ 13,949,756	\$ -
Accounts	789,729	-	9,800,035	-	10,589,764	16,828,053
Accrued Interest	389,361	-	-	-	389,361	151,200
Loans	-	4,655,816	-	23,859	4,679,675	3,000,000
Due from other governments	2,013,559	268,800	1,338,502	1,588,847	5,209,708	603,987
Gross receivables	17,142,405	4,924,616	11,138,537	1,612,706	34,818,264	20,583,240
Less -						
Allowances for uncollectible accounts	(4,281,493)	-	-	-	(4,281,493)	(142,500)
Receivables - net	\$ 12,860,912	\$ 4,924,616	\$ 11,138,537	\$ 1,612,706	\$ 30,536,771	\$ 20,440,740

Total receivables for the governmental funds of \$30,536,771 shown in the chart above plus the receivables in the Internal Service Funds of \$3,464 equal to the total of receivables - net and due from other governments shown on Exhibit A.

## Component Units

	Danville Public Schools	Industrial Development Authority	Total
Receivable			
Due from other Governments	\$ 3,369,148	\$ -	\$ 3,369,148
Due from City	5,189,994	-	5,189,994
Other	32,356	77,912	110,268
Total receivables	\$ 8,591,498	\$ 77,912	\$ 8,669,410

## Property Taxes

The City levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City of Danville. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and reassessed each year as of July 1. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property incomplete as of July 1, but completed during the year. Any taxes paid after the due date are subject to a 10% penalty.

Real estate taxes are billed in equal semi-annual installments due December 5 and June 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10% per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rates during 2009 and 2008 were \$0.77 and \$0.73, respectively, per \$100 of assessed value.

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1, of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has situs in the City. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. Interest at the rate of 10% per annum is added to the delinquent tax and penalty. The taxes receivable balance at June 30, 2009 includes amounts not yet received from the January 1, 2009 levy due June 5, 2009.

These taxes are included as deferred revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period. The tax rate during 2008 and 2006 was \$3.00 for motor vehicles and tangible property and \$1.50 for machinery and tools per \$100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998, the City used to receive 70% percent of most taxpayers' assessments. Beginning in fiscal year 2007 the state's share of the local personal property tax payment is an annual amount of \$3,593,576 with the remainder collected by the City.



## 6. Capital Assets

The table below is a summary of the changes in capital assets for the fiscal year ended June 30, 2009.

### Governmental Activities

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 7,705,752	\$ 3,996,000	\$ -	\$ 11,701,752
Construction in progress	7,257,633	17,703,705	(15,131,508)	9,829,830
Total capital assets not being depreciated	14,963,385	21,699,705	(15,131,508)	21,531,582
Other capital assets:				
Buildings	32,333,722	12,000	-	32,345,722
Infrastructure	27,207,442	-	-	27,207,442
Furniture and other equipment	17,082,613	965,162	(245,836)	17,801,939
Total other capital assets	76,623,777	977,162	(245,836)	77,355,103
Less- accumulated depreciation for:				
Buildings	(11,434,884)	(719,082)	-	(12,153,966)
Infrastructure	(17,510,447)	(1,466,859)	-	(18,977,306)
Furniture and other equipment	(15,393,168)	(1,163,260)	243,684	(16,312,744)
Total accumulated depreciation	(44,338,499)	(3,349,201)	243,684	(47,444,016)
Total capital assets- depreciated	32,285,278	(2,372,039)	(2,152)	29,911,087
	47,248,663	19,327,666	(15,133,660)	51,442,669
Assets transferred from Danville School Board	77,837,094	-	-	77,837,094
Less- accumulated depreciation	(60,553,273)	(1,923,440)	-	(62,476,713)
	17,283,821	(1,923,440)	-	15,360,381
Total capital assets – net	\$ 64,532,484	\$ 17,404,226	\$ (15,133,660)	\$ 66,803,050

Depreciation was charged to government functions as follows:

General government administration	\$ 1,452,820
Judicial administration	119,409
Public safety	995,352
Public works	246,735
Health and welfare	221,554
Parks, recreation, and cultural	163,192
Community development	150,139
<b>Total</b>	<b>\$ 3,349,201</b>

Depreciation on the assets transferred by the Danville Public Schools was \$1,923,440. This expense is reflected in the education expense on the Statement of Activities.

### Component Unit - Danville Public Schools

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land and land improvements	\$ 3,972,629	\$ 83,757	\$ -	\$ 4,056,386
Other capital assets				
Buildings	65,573,575	686,149	-	66,259,724
Furniture and other equipment	21,698,320	328,969	-	22,027,289
Total other capital assets	87,271,895	1,015,118	-	88,287,013
Less -				
Total accumulated depreciation	(51,558,797)	(385,542)	-	(51,944,339)
Capital assets – net	39,685,727	713,333	-	40,399,060
Assets transferred to the City of Danville to match long-term debt	(28,763,468)	-	-	(28,763,468)
Total	\$ 10,922,259	\$ 713,333	\$ -	\$ 11,635,592

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated lives of the assets as follows:

Buildings	45 years
Equipment	3 – 25 years
Infrastructure	25 – 35 years

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

### Component Unit - Industrial Development Authority

	Balance June 30, 2008	Balance June 30, 2009
Property held for lease:		
Land	\$ 620,615	\$ 620,615
Building	11,865,813	11,865,813
Less – accumulated depreciation	(1,209,410)	(1,506,571)
	11,277,018	10,979,857
Property held for sale:		
Land and building	1,458,348	1,458,348
Construction in progress	102,330	102,330
Total	\$ 12,837,696	\$ 12,540,535

The IDA has five year operating leases with Essel ProPack America, LLC (Essel ProPack) and TelVista, Inc. Monthly payments are based on an amount equal to the IDA's debt service on each building. Each lease also has up to four (4) five (5) year renewal periods.

Further, Essel ProPack and TelVista each retain an option to purchase their leased property during the term of the lease, including any extensions, thereof, for the remaining principal balance owed by the IDA on the related loan on each property.

The IDA also leases a building in the City's historic district to Luna Technologies for \$1 per year.

Future estimated minimum rental payments due under the leases at June 30, 2009 follows:

Year Ending June 30,	Amount
2011	\$ 866,770
2012	866,770
2013	866,770
2014	866,770
2015	866,770
	<hr/>
	\$ 4,333,850

### Land Held for Sale

Land held for sale is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased or at estimated fair value at the date of gift, if donated. Costs of property improvements are capitalized.

### Enterprise Funds

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2009:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities:				
Land	\$ 1,325,057	\$ 15,113	\$ -	\$ 1,340,170
Construction in progress	26,881,900	7,522,943	(12,517,407)	21,887,436
	<hr/>			
Total capital assets not being depreciated	28,206,957	7,538,056	(12,517,407)	23,227,606
Buildings	271,116,880	14,868,426	-	285,985,306
Equipment	55,115,969	6,254,706	-	61,370,675
Less- accumulated depreciation for:				
Buildings	(95,954,544)	(7,323,565)	-	(103,278,109)
Equipment	(30,301,435)	(2,312,705)	-	(32,614,140)
	<hr/>			
Total accumulated depreciation	(126,255,979)	(9,636,270)	-	(135,892,249)
	<hr/>			
Other capital assets -- net	199,976,870	11,486,862	-	211,463,732
	<hr/>			
Total capital assets -- net	\$ 228,183,827	\$ 19,024,918	\$ (12,517,407)	\$ 234,691,338

## Governmental Funds

Capital outlay – Primary government	\$ 22,148,881	
Capital outlay – Internal services	527,986	
Capital outlay – City – not capitalized	<u>(15,131,508)</u>	\$ 7,545,359
Depreciation expense - City	(2,741,957)	
Depreciation expense – Internal services	(607,244)	
Depreciation expense - Schools	<u>(1,923,440)</u>	\$ (5,272,641)
		<u>\$ 2,272,718</u>

## 7. Commitments and Contingencies

### A. Litigation

The City is contingently liable with respect to lawsuits and other claims, which arise, in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the City.

### B. Federally Assisted Grant Programs

The City and the DPS participate in a number of federally assisted grant programs. Although the City and the DPS have been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, City and DPS's management believes such disallowances, if any, will not be significant.

### C. Contracts

The City has several construction and similar contracts in progress at June 30, 2009. The incomplete unbilled portion of these contracts represents financial commitments that have not been recorded in the financial statements, since they were not liabilities at June 30, 2009.

	<u>City of Danville</u>
Contracts	\$ 15,986,096
Less: paid or recorded as liabilities	<u>(13,745,847)</u>
	<u>\$ 2,240,249</u>

### D. Contingent Liabilities

#### Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The City maintains an insurance fund to account for insurance transactions. The City is self-insured for all workers' compensation claims, comprehensive and collision for vehicles which cost less than \$100,000, property damage up to a deductible of \$10,000, and employee liability to the extent that it is not covered by another policy (see the schedule of insurance coverage in the statistical section of this Comprehensive Annual Financial Report). Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Current market rates are used to discount claim liabilities.

The fleet insurance and commercial general liability insurance is provided under a pooled agreement with the Virginia Municipal Liability Pool (Pool), a public entity risk pool. The Pool has paid policy dividends on a regular basis. If the Pool should be in a deficit condition, it may levy an additional pro-rata assessment to members of the Pool, which may not exceed twice the members' annual contributions. The pool agreement does not address the question of member liability in case of a deficit condition. Claims have not exceeded coverage in any of the previous three years, and there were no reductions in coverage from the previous year.

#### Component Unit

#### **Worker's compensation**

Danville Public Schools is a member of the School System of Virginia Self-Insurance Association (Association), a public entity risk pool for workers' compensation insurance. All members of the Association have agreed to assume any liability under the Virginia Workers' Compensation Act for any, and all, member employers. The Association has operated at a profit and has declared dividends on a regular basis since Danville Public Schools entered the pool in 1982. Danville Public Schools has elected to have the Association hold its dividends in escrow as a reserve against possible future claims. At June 30, 2009 the cumulative amount of dividends held in escrow by the Association for the Danville Public Schools amounted to \$365,643.

#### **Self-Insurance Coverage**

In October 2005, **DPS** entered into an agreement with Anthem Blue Cross Shield to administer a self-insurance plan for employee medical and pharmacy insurance. **DPS**'s contingent liability is limited to an annual stop loss amount of \$90,000 per participant. The escrow balance (\$2,504,026) is the balance of premiums paid net of claims received by Anthem (\$2,939,066) and the estimated claims incurred but not paid as of for the same period (\$435,040) for the period ended June 30, 2009.

#### ***E. Reimbursable Agreements***

At June 30, 2009, the City had outstanding agreements representing reimbursements to developers for streets, sewers, and utility facilities. These agreements totaled \$912,578 with \$566,229 having qualified for reimbursement within terms of the agreements. The remaining balances will be accrued upon qualification.

#### ***F. Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2009: public entity and public officials excess liability, medical and dental malpractice liability, voting booths, special events, vacant buildings, volunteer liability, nonowned aircraft liability, and commercial crime. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts of insurance on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The following Constitutional Officers and City employees are covered by surety bonds issued by Lumberman's Mutual Casualty Co. in the amounts shown as of June 30, 2009:

Treasurer	\$	500,000
Commissioner of Revenue	\$	3,000
Clerk of Circuit Court	\$	103,000
Sheriff	\$	30,000

### **G. Self-Insurance**

The noncurrent portion of unpaid workers' compensation claims amounted to approximately \$4,665,926 and the amount expected to be paid within one year amounted to \$93,307 as of June 30, 2009, and is reflected in the government-wide statements. Liabilities are reported when it is probable that losses have occurred, and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claims, adjustment expense, and estimated recoveries. An independent contractor processes the public liability claims and the City records a provision and liability in the entity-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

Changes in the estimated claims payable for workers' compensation are as follows for the years ended June 30:

	<u>FY 2009</u>	<u>FY 2008</u>
Estimated claims payable at beginning of period	\$ 3,498,200	\$ 3,064,000
Current fiscal year claims, changes in estimates, and payouts	2,128,998	1,112,200
Claim payments	<u>(867,965)</u>	<u>(678,000)</u>
Estimated claims payable at end of period	<u>\$ 4,759,233</u>	<u>\$ 3,498,200</u>

## 8. Long-Term Debt

### A. Bonds Payable

The following schedule represents all bonds payable in the Government and Enterprise funds, for the year ended June 30, 2009.

Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2009
<b>General Obligations and Section 10 Bonds</b>					
School Series 1991B	\$ 2,688,260	\$ 92,300 – 174,163	4.85 – 6.60 %	7/15/11	\$ 504,940
School Series 2001B	6,512,513	\$ 296,369 – 371,160	3.10 – 5.10 %	7/15/21	4,405,966
School Series 2001B	5,210,006	\$ 237,088 – 296,928	3.10 – 5.10 %	7/15/21	3,524,775
School Series 2001B – Loan	2,500,000	\$ 125,000	3.10 – 5.10 %	7/15/21	1,625,000
General Improvements 2005	8,800,000	\$ 290,000 – 640,000	3.70 – 4.25 %	12/1/25	7,900,000
General Improvements 2007	5,000,000	\$ 165,000 – 360,000	3.625 – 3.90 %	3/1/27	4,665,000
General Improvements 2008	9,800,000	\$ 50,000 – 900,000	4.120 %	8/1/28	9,800,000
General Improvements & Refunding 2009A	11,215,000	\$ 450,000 – 1,300,000	2.00 - 5.00 %	3/1/22	11,215,000
General Improvements & Refunding 2009B	19,195,000	\$ 775,000 – 2,515,000	3.80 – 6.09 %	3/1/22	19,195,000
	<u>70,920,779</u>				<u>62,835,681</u>
<b>Revenue Bonds</b>					
Utility Revenue 93 – 94	2,900,000	\$ 46,104 – 207,971	4.50 %	6/1/14	973,154
Utility Revenue 94 – 95	300,000	\$ 12,829 – 19,148	4.50 %	6/1/14	93,796
Utility Revenue 96 – 97	7,300,000	\$ 223,940 – 365,000	4.50 %	2/1/19	3,508,940
	<u>\$ 10,500,000</u>				<u>4,575,890</u>
Total Outstanding Bonds					<u>\$ 67,411,571</u>

Debt service on the preceding Bonds in future years is as follows:

#### General Obligation and Section 10 Bonds:

##### Principal:

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2010	\$ 845,051	\$ 505,000	\$ 1,350,051
2011	856,896	575,000	1,431,896
2012	1,509,023	1,680,378	3,189,401
2013	1,562,635	2,049,472	3,612,107
2014	1,929,403	2,652,127	4,581,530
2015 - 2019	10,421,879	15,345,299	25,767,178
2020 - 2024	4,944,018	11,514,500	16,458,518
2025 - 2029	-	6,445,000	6,445,000
	<u>\$ 22,068,905</u>	<u>\$ 40,766,776</u>	<u>\$ 62,835,681</u>

**Interest:**

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2010	\$ 910,500	\$ 1,576,213	\$ 2,486,713
2011	987,801	1,669,828	2,657,629
2012	943,820	1,645,206	2,589,026
2013	884,302	1,587,758	2,472,060
2014	817,823	1,514,554	2,332,377
2015 – 2019	2,722,247	5,850,155	8,572,402
2020 – 2024	405,625	2,507,523	2,913,148
2025 – 2029	-	576,465	576,465
	<u>\$ 7,672,118</u>	<u>\$ 16,927,702</u>	<u>\$ 24,599,820</u>

**Revenue Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 564,259	\$ 173,348	\$ 737,607
2011	571,087	152,103	723,190
2012	578,148	130,624	708,772
2013	585,451	108,903	694,354
2014	593,005	86,932	679,937
2015 – 2019	1,683,940	188,404	1,872,344
	<u>\$ 4,575,890</u>	<u>\$ 840,314</u>	<u>\$ 5,416,204</u>

Debt service for reimbursement agreements and capital lease bond obligations in future years is as follows:

**Reimbursement Agreements do not require interest payments:****Principal:**

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2010	\$ 190,351	\$ 120,392	\$ 310,743
2011	135,721	120,391	256,112
2012	52,471	120,391	172,862
2013	52,470	120,391	172,861
	<u>\$ 431,013</u>	<u>\$ 481,565</u>	<u>\$ 912,578</u>



**Capital Lease Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 883,836	\$ 438,470	\$ 1,322,306
2011	910,834	393,222	1,304,056
2012	938,233	347,073	1,285,306
2013	971,586	298,593	1,270,179
2014	767,818	247,360	1,015,178
2015 – 2019	3,798,948	609,539	4,408,487
2020 – 2022	264,492	6,902	271,394
	<u>\$ 8,535,747</u>	<u>\$ 2,341,159</u>	<u>\$ 10,876,906</u>

**Advance To/From other Funds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 111,252	\$ 428,448	\$ 539,700
2011	272,950	115,550	388,500
2012	283,868	104,632	388,500
2013	295,223	93,277	388,500
2014	307,032	81,468	388,500
2015 – 2019	1,729,675	212,997	1,942,672
	<u>\$ 3,000,000</u>	<u>\$ 1,036,372</u>	<u>\$ 4,036,372</u>

The capital lease bonds are a variant of revenue bonds used in the capital outlay program. The revenue stream backing the bond is created from lease payments made by the occupying department to the governmental financing entity which constructs the facility. The financing authority constructs the facility, issues financing bonds, and retains title to the facility until the debt is retired.

The advance to/from other funds represent a loan from the Electric fund to the Wastewater fund for operating expenses.

**B. Governmental Obligation**

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Assets ended June 30, 2009:

Compensated absences and workers' compensation are typically paid from the General Fund.

	Balance June 30, 2008	Additions	Changes/ Reductions	Balance June 30, 2009	Due within 1 year
General obligation bonds	\$ 24,819,277	\$ 12,008,223	\$ 14,758,596	\$ 22,068,904	\$ 845,051
Notes payable	200,000	-	200,000	-	-
Reimbursement agreements	621,364	-	190,351	431,013	190,351
Capital lease obligations	9,394,097	-	858,350	8,535,747	883,836
Compensated absences	1,494,784	1,782,544	1,671,034	1,606,294	1,721,165
Worker's compensation	3,020,200	1,358,797	-	4,378,997	90,824
OPEB	419,164	-	348,277	70,887	-
Other bond related items	(436,186)	(998,319)	(107,799)	(1,326,706)	-
	<u>\$ 39,532,700</u>	<u>\$ 14,151,245</u>	<u>\$ 17,918,809</u>	<u>\$ 35,765,136</u>	<u>\$ 3,731,227</u>

### C. Enterprise Debt

Following is a summary of the changes in long-term liabilities that are recorded in the Enterprise Funds for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Changes/ Reductions	Balance June 30, 2009	Due within 1 year
General obligation bonds	\$ 33,909,608	\$ 28,201,777	\$ 21,344,608	\$ 40,766,777	\$ 505,000
Revenue bonds	5,133,548	-	557,658	4,575,890	564,259
Reimbursement agreements	528,336	93,938	140,709	481,565	120,392
Advance to/from other funds	3,000,000	-	-	3,000,000	-
Compensated absences	480,435	541,076	546,961	474,550	424,791
Workers' compensation	478,000	-	97,764	380,236	2,483
OPEB	131,220	-	109,029	22,191	-
Bond related items	(541,537)	(1,366,131)	(152,980)	(1,754,688)	-
	<u>\$ 43,119,610</u>	<u>\$ 27,470,660</u>	<u>\$ 22,643,749</u>	<u>\$ 47,946,521</u>	<u>\$ 1,616,925</u>

### D. General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which a City may issue. The City of Danville has independently set a lower debt limit of 7.5% of the assessed valuation. The Legal debt margin at June 30, 2009 is computed as follows:

	Legal Debt Margin
Assessed value (as of June 30, 2009) – taxable real property, including public service corporations	<u>\$ 2,252,885,600</u>
Legal debt limits:	
10% of assessed value (authorized by the Commonwealth of Virginia for all cities)	\$ 225,288,560
Deduct amount of debt applicable to debt limit:	
Gross general debt*	<u>62,835,681</u>
Legal debt margin	<u>\$ 162,452,879</u>

\*Debt applicable to debt limit excludes Revenue Bonds due to Section 10, Article VII of the Constitution of Virginia

### E. Component Units

Following is a summary of the changes in long-term liabilities that are recorded in the Danville Public Schools for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Changes/ Reductions	Balance June 30, 2009	Due within 1 year
Early retirement plan (January 1, 2008)	\$ 127,355	\$ 943,525	\$ (184,038)	\$ 886,842	\$ 173,346
Early retirement plan (July 1, 1997)	3,148,950	186,890	(1,069,834)	2,266,006	771,281
Employee benefits	1,325,287	638,072	(526,042)	1,437,317	506,452
	<u>\$ 4,601,592</u>	<u>\$ 1,768,487</u>	<u>\$ (1,779,914)</u>	<u>\$ 4,590,165</u>	<u>\$ 1,451,079</u>

Debt service on the preceding component unit's early retirement plans and contracts payable for future years are as follows:

Year Ending June 30,	Early Retirement July 1, 1997		Early Retirement January 1, 2008	
	Principal	Interest	Principal	Interest
2010	\$ 771,281	\$ 146,542	\$ 173,346	\$ 13,471
2011	561,126	121,907	165,091	21,725
2012	450,113	117,747	157,230	29,587
2013	332,407	103,034	149,743	37,074
2014	151,079	56,725	142,612	44,205
2015	-	-	98,820	37,103
	<u>\$ 2,266,006</u>	<u>\$ 545,955</u>	<u>\$ 886,842</u>	<u>\$ 183,165</u>

Following is a summary of the changes in the long-term liability that is recorded in the Industrial Development Authority for the year ended June 30, 2009:

	<b>Balance June 30, 2008</b>	Additions	Reductions	<b>Balance June 30, 2009</b>
Deeds of trust payable	<u>\$ 10,397,047</u>	-	261,873	<u>\$ 10,135,174</u>

Debt service on the preceding component unit's deeds of trust payable for future years are as follows:

Fiscal Year Ending June 30,	Early Retirement Principal
2010	\$ 291,198
2011	308,031
2012	325,878
2013	344,802
2014	364,872
2015 – 2019	2,165,284
2020 – 2024	2,889,887
2025 – 2029	3,346,039
2030	99,183
	<u>\$ 10,135,174</u>

The City of Danville issued \$30,410,000 of general obligation refunding bonds in order to restructure the City's debt liability to provide cash flow relief for the City in the next few fiscal years and not for debt service savings. The proceeds of this refunding were placed in trust with the escrow agent for all future debt service payments of general obligation debt associated with the original bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$1,923,230. This amount is being netted against the new debt and amortized over the average remaining life of the refunded debt, which is shorter than the life of the new debt.

## 9. Transfers

Funds are transferred each year from the General Fund to the Capital Projects Fund, Insurance Fund, and the Transportation Fund. The Capital Projects Fund and the Insurance Fund operate for

the benefit of the City. The Transportation Fund is operated as an enterprise fund but the City has historically subsidized this fund since it is for the benefit of the citizens.

The chart below details the activities between funds of the City for the year ended June 30, 2009.

	Transfers In	Transfers Out	Net Transfers
<b>Governmental Funds – Exhibit D</b>			
General	\$ 13,632,000	\$ (10,875,142)	\$ 2,756,858
Capital Projects	9,668,459	-	9,668,459
Special Revenue	935,824	-	935,824
	<u>\$ 24,236,283</u>	<u>\$ (10,875,142)</u>	<u>\$ 13,361,141</u>
<b>Enterprise Funds – Exhibit F</b>			
Wastewater	\$ -	\$ (677,760)	\$ (677,760)
Water	-	(933,300)	(933,300)
Gas	-	(2,656,330)	(2,656,330)
Electric	-	(9,062,610)	(9,062,610)
Nonmajor	270,859	(302,000)	(31,141)
	<u>\$ 270,859</u>	<u>\$ (13,632,000)</u>	<u>\$ (13,361,141)</u>

Primary transfer activities include:

Transfers from the General Fund to the Capital Projects fund represents the City's budgeted pay-as-you go funding.

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant program resources.

Transfers from the Enterprise Funds represent contributions from these funds to support the City's operations.

#### 10. Due To/From Other Funds

Due to other funds are interfund receivables and payables of individual funds result primarily from cash disbursements made by one fund for expenditures of another. The amounts due at June 30, 2009 are as follows:

##### Governmental Funds

	Interfund Receivable	Interfund Payable
City of Danville:		
General fund	\$ 5,031,605	\$ -
Capital Projects fund		4,355,882
Nonmajor fund:		
Special Revenue fund	-	675,723
	<u>\$ 5,031,605</u>	<u>\$ 5,031,605</u>

**Component Unit**

	Interfund Receivable	Interfund Payable
Danville Public Schools:		
General fund	\$ 1,305,116	\$ -
Capital projects fund	-	54,764
Special grants fund	-	181,334
Nonmajor funds:		
Textbook	-	1,428,714
Cafeteria	359,696	-
	<u>\$ 1,664,812</u>	<u>\$ 1,664,812</u>

The primary reason for interfund receivables and payables of the primary government due at June 30, 2009 are as follows:

Interfund receivable to the General Fund from the Special Grants Fund represent amounts expended for the localities matching portion of state and federal grants paid out of the Special Revenue fund and due from the General Fund.

The primary reason for interfund receivables and payables of the primary government due at June 30, 2009 are as follows:

Interfund payable from the General Fund to the Special Grants, Capital Projects and Textbook funds represent amounts expended for the localities matching portion of state and federal grants, capital expenditures, textbook purchases, and cafeteria operations due from the General Fund.

**11. Due From Other Governments**

	City of Danville	Enterprise Fund	Danville Public Schools
Commonwealth of Virginia -			
State grants	\$ 3,025,919	\$ 30,070	\$ 469,441
Social Services	624,432	-	-
	<u>3,650,351</u>	<u>30,070</u>	<u>469,441</u>
Local government	-	-	-
Federal government -			
Federal grants	<u>1,559,357</u>	<u>573,917</u>	<u>2,899,707</u>
	<u>\$ 5,209,708</u>	<u>\$ 603,987</u>	<u>\$ 3,369,148</u>

**12. Retirement Plans**

The City participates in two public employee retirement systems. Part I of this note details the Employees' Retirement System of the City of Danville (ERS), and Part II details the Virginia Retirement System (VRS). Disclosures concerning the Danville Public School's participation in the Virginia Retirement System is also included in Part II of this note.

The City follows Governmental Accounting Standards Board Statement No. 27 (GASB 27) – *Accounting for Pensions by State and Local Government Employers*. The Statement establishes standards for the measurement, recognition and display of pension expenditures and related liabilities, assets and note disclosures.

## **I. Employees' Retirement System of the City of Danville**

### **A. Plan Description**

The Employees' Retirement System of the City of Danville was established on January 1, 1946, and was placed under the management of a Board of Trustees for the purpose of providing retirement, disability, and death benefits for full-time permanent employees in accordance with Chapter 32 of the Danville City Code. The City makes contributions to the ERS, which acts as administrator of this single-employer defined benefit pension plan.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Employees Retirement System of the City of Danville, PO Box 3300, Danville, Virginia 24543.

All full-time employees of the City, excluding Danville Public Schools employees and elected officials and their employees (who are covered under the Virginia Retirement System) are eligible to participate. Upon becoming a regular, full-time employee of the City, each employee is classified as a "general employee" or as a "public safety employee" (policeman or fireman). The two employee classes have different pension benefits and early service retirement allowances. As of June 30, 2009, employee membership in the ERS was as follows:

	<b>General Employees</b>	<b>Public Safety Employees</b>	<b>Total</b>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	497	172	669
Active plan participants:			
Vested	455	173	628
Nonvested	297	71	368
	752	244	996

The pension plan provides retirement, disability, and death benefits. After 5 years of creditable service, general employees who attain the age of 65 or who accumulated at least 30 years of creditable service and attain the age of 55 may retire with full benefits. Public safety employees who attain the age of 60 or who accumulated at least 30 years of creditable service and attain the age of 55 may retire with full benefits.

For general employees, the retirement allowance consists of an annuity equal to the amount provided by the contributions of the member up to the time of his or her retirement, plus a pension which will total an amount equal to 1/55<sup>th</sup> of the highest consecutive 3 years average salary, multiplied by the number of years of creditable service prior to January 1, 1956 (but not before January 1, 1946), plus 1.42% of the part of such compensation in excess of \$9,500, plus 1.82% of the part of such compensation in excess of \$9,500 multiplied by the number of years of creditable service after December 31, 1955. A general employee with at least 5 years of service may retire early after reaching the age of 55 and receive reduced benefits.

The retirement allowance for a public safety employee, if hired before October 1, 1991, consists of an annuity equal to the amount provided by the contributions of the member up to the time of his or her retirement, plus a pension which will total an amount equal to 1/50<sup>th</sup> of the final 3 years average salary multiplied by the number of years of creditable service after December 31, 1945. A public safety employee with at least 5 years of service may retire early after reaching the age of 55 and receive reduced benefits. A member with creditable service prior to January 1, 1946 receives an additional pension.

Pension provisions include disability benefits whereby a member who becomes totally and permanently incapacitated and who has completed 5 years of creditable service is eligible to receive

a disability retirement allowance. The allowance begins at the time of the disability and is based on creditable service to date and a projection of creditable service assuming no disability. The allowance is offset by any workers' compensation benefits.

If, after 5 years of service, an active member should die at any time prior to retirement, an allowance shall be payable to the spouse, minor child, or parent of the member. Such retirement allowance will be continued during the lifetime of such person, or in the case of a minor child, until such time as the child dies or attains majority. The beneficiary may elect to receive the member's accumulated contributions with interest in lieu of any other benefits under the ERS.

The Board of Trustees, based on actuarial estimates of future plan benefits to be paid, establishes contributions by active members. Since March 1, 1979, the City has assumed payment for the employees' contributions. Contributions for employees hired after September 30, 1991 are considered to be 100% City contributions. These contributions, like the City portion of pre-October 1, 1991 employees, vest after 5 years of creditable service. The contribution rate for employees hired before October 1, 1991 is currently 5% of earnable compensation for general employees and 6.5% of earnable compensation for public safety employees. The portion of contributions to the plan made by the City on behalf of these members vests immediately with the employees. The remainder of the contributions vests after 5 years of creditable service.

For the year ended June 30, 2009, the City's total payroll for all employees was \$46,559,196 and the City's total covered payroll amounted to \$38,567,189 of which \$27,760,962 was for general employees and \$10,806,227 was for public safety employees. Covered payroll refers to all compensation paid by the City to active employees covered by the ERS on which contributions to the plan are based.

#### ***B. Summary of Significant Accounting Policies***

Basis of Accounting. The financial statements of the ERS are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue in the period in which the employees provide services to the City. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as it is earned. The net appreciation or depreciation in the fair value of investments held by the ERS is recorded as an increase or decrease in investment income based on the valuation of investments as of the date of the balance sheet.

Investments. Investments are reported at fair value. Temporary cash investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at quoted market prices as of the date of the balance sheet. The fair value of the real estate - timberland, is based on an independent appraisal.

#### ***C. Funding Policy***

The contribution requirement of plan members and the City are established by the ERS' Board of Trustees, based on actuarial estimates of future plan benefits to be paid. The contribution rate for general employees is 5% of their annual covered salary and 6.5% for public safety employees. The City has paid the employee's portion of the contributions since 1979. Total contributions to the ERS for the year ended June 30, 2009 amounted to \$4,465,421 of which the City, on behalf of its employees, paid \$751,448. The contributed amounts were based on an actuarial valuation. Contributions made by the City represents 5% on behalf of its employees that were employed before October 1991, and contributions made by the City on behalf of its employees represent 6.58% of covered payroll for the year for a total of 11.58%.

#### ***D. Annual Pension Cost and Net Pension Obligation***

The annual pension cost at June 30, 2009 was \$4,638,670, and the contributions made by the City were \$4,465,421. At year-end June 30, 2009, the Enterprise Funds have recorded a net pension asset of \$318,438. In accordance with GASB 27, the General Fund asset of \$896,530 has been recorded in the Statement of Net Assets for the governmental funds.

### Three-Year Trend Information

Actuarial Date	City Supplemental		
	6/30/09	6/30/08	6/30/07
Annual Pension Cost (APC)	\$ 4,638,670	\$ 4,111,258	\$ 3,979,980
Percentage of APC Contributed	96.27%	94.93%	83.12%
Net Pension Asset	\$ 1,214,968	\$ 1,388,218	\$ 1,596,759

The annual required contribution for the current year was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 3% per year. Both (a) and (b) included an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 30 years.

For the year ended June 30, 2009, the City had contributed more than the annual required amount. In accordance with GASB 27, the following chart below details the components of the net pension asset.

<b>June 30, 2009</b>	Governmental	Enterprise
Annual Required Contribution (ARC)	\$ 3,647,069	\$ 988,480
Interest on beginning Net Pension Obligation (NPO)	(92,461)	(18,597)
Adjustment to ARC	95,059	19,120
Annual Pension Cost	3,649,667	989,003
Contributions Made	(3,499,510)	(965,911)
Decrease in NPO	150,157	23,092
Net pension asset – beginning of year	1,046,687	341,530
Net pension asset - end of year	\$ 896,530	\$ 318,438

The net pension asset shown above for the enterprise funds is net of the liability. Wastewater has a liability of \$19,234, Cemetery Operations fund has a liability of \$20,488, Telecommunications has a liability of \$4,823, and Transportation fund has a liability of \$1,808 which is applied to the assets of the other enterprise funds of \$364,790 to arrive at the balance shown in the chart above.

<b>June 30, 2008</b>	Governmental	Enterprise
Annual Required Contribution (ARC)	\$ 3,239,371	\$ 868,298
Interest on beginning Net Pension Obligation (NPO)	(105,753)	(21,988)
Adjustment to ARC	108,723	22,607
Annual Pension Cost	3,242,341	868,917
Contributions Made	(3,076,516)	(826,200)
Decrease in NPO	165,825	42,717
Net pension asset – beginning of year	1,212,512	384,247
Net pension asset - end of year	\$ 1,046,687	\$ 341,530

For the year ended June 30, 2009, the City had contributed more than the annual required amount. In accordance with GASB 27, the chart below details the components of the net pension asset.



**E. Schedule of Funding Progress:**

Actuarial Valuation Date	6/30/09	6/30/08	6/30/07
Actuarial Value of assets (a)	\$ 181,583,002	\$ 184,158,579	\$ 173,932,043
Actuarial Accrued Liability (AAL) – Entry Age (b)	\$ 194,996,863	\$ 193,054,077	\$ 181,112,835
Unfunded (Overfunded) (AAL) (UAAL) (b-a)	\$ 13,413,861	\$ 8,895,498	\$ 7,180,792
Funded Ratio (a/b)	93.12%	95.39%	96.04%
Covered Payroll (c)	\$ 39,431,058	\$ 38,837,884	\$ 35,282,649
UAAL as a Percentage of Covered Payroll ((b-a)/c)	34.02%	22.90%	20.35%

**II. Virginia Retirement System****A. *Plan Description***

The City of Danville contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer public employee retirement system that acts as common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. There are three separate groups of employees covered under the plan. The first includes "constitutional employees" of the City, which are all employees of the offices of the Sheriff, Commonwealth's Attorney, Clerk of Court, Treasurer, and the Commissioner of Revenue. In addition, professional and nonprofessional employees of the Danville Public Schools are covered by the VRS.

Professional employees participate in a VRS statewide teacher cost sharing pool, and nonprofessional employees participate as a separate group.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 (1.85 for sheriffs) percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/pdf/Publications/2008annurept.pdf> or writing to the system at P.O. Box 2500, Richmond, VA 23218-2500.

## **B. Funding Policy**

Employees are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The City and the Danville Public Schools have assumed this 5% member contribution. If an employee leaves covered employment, the accumulated member contributions plus interest earned may be refunded to the employee. The City and the Danville Public Schools are required to contribute the remaining amounts necessary to fund the system using the actuarial basis specified by the VRS Board of Trustees. The Danville Public Schools contribution rate for the fiscal year ended June 30, 2009 was 13.81% (8.81% plus 5% for employees' portion) of annual covered payroll for professional employees and 11.49% (6.49% and 5% for employees' portion) for nonprofessional employees. The City's contribution rate was 12.92% (7.92% plus 5% for employees' portion).

## **C. Annual Required Contribution**

For June 30, 2009, the Danville Public School's annual contribution of \$203,404 for nonprofessional and 5,218,972 for professional employees, and the City's annual contribution of \$604,234 were equal to the required and actual contributions. The contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included, (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments.

	Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Employees	2009	\$ 604,234	100%	\$ -
	2008	\$ 591,147	100%	\$ -
	2007	\$ 562,979	100%	\$ -
School Board	2009	\$ 203,404	100%	\$ -
Nonprofessional	2008	\$ 274,786	100%	\$ -
	2007	\$ 256,587	100%	\$ -

Both (a) and (b) included an inflation component of 2.5%. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Danville Public Schools participates in the VRS teacher cost-sharing pool for professional employees.

## **Schedule of Funding Progress**

The following information is from the most recent actuarial valuation (June 30, 2008).

Actuarial Valuation Date	6/30/08	6/30/07	6/30/06
Actuarial Value of assets (a)	\$ 18,048,580	\$ 16,301,462	\$ 14,307,636
Actuarial Accrued Liability (AAL) – Entry Age (b)	\$ 17,807,585	\$ 16,853,288	\$ 15,534,778
Unfunded (Overfunded) (AAL) (UAAL) (b-a)	\$ (240,994)	\$ 551,826	\$ 1,227,142
Funded Ratio (a/b)	101.35%	96.73%	92.10%
Covered Payroll (c)	\$ 4,533,963	\$ 4,482,616	\$ 4,109,575
UAAL as a Percentage of Covered Payroll ((b-a)/c)	(5.32%)	12.31%	29.86%

## Notes to Schedules of Employer Contributions and Funding Progress

	School Board June 30, 2008	City June 30, 2008
Valuation date	Entry Age Normal	Entry Age Normal
Actuarial cost method	Level percent, open	Level percent, open
Amortization method	2.50%	3.00%
Payroll growth method	20 years	20 years
Remaining amortization period		Five-Year Smoothed
Asset valuation method	Modified Market	Market Value
Actuarial assumptions:		
Investment of return*	7.50%	7.50%
Projected salary increase*	3.75% - 5.60%	3.50% - 5.60%
Cost of living adjustments	2.50%	2.50%

\*Includes inflation of 2.50%

The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuations. Additional information from the June 30, 2008, actuarial valuation is above.

### Deferred Compensation Plan

The City has a deferred compensation plan for all employees who request participation in the International City Managers Association Retirement Corporation (ICMA-RC) deferred compensation plan. The plan was created in accordance with Internal Revenue Code Section (IRC) 457. Amounts deferred under the plan are remitted on a monthly basis directly to the ICMA-RC, which acts as administrator and fiduciary agent of the plan. Prior to fiscal 1998, the assets of the plan, until paid or made available to the participants, remained the property of the City and were considered agency funds. Due to tax legislation, the City has amended the plan to comply with the requirements of subsection (g) of IRC Section 457. As a result of this change, the assets of the plan are no longer considered to be assets of the City. Since a fiduciary relationship no longer exists between the City and the plan, the plan's assets are no longer considered agency funds of the City.

## 13. Postretirement Benefits Other Than Pensions

The City adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Statement establishes standards for reporting the liability for non-pension postemployment benefits, chiefly the health care premiums for retirees. Disclosures concerning participation are outlined as follows:

### **A. Plan Provisions**

In addition to providing the pension benefits described, the City provides post-employment health care and life insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. Benefits levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual. The calculations for this liability are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the City and the employees participating at the valuation date.

### **B. Funding Policy**

The City does not intend to establish a trust to pre-fund this liability. The exhibit below shows the anticipated growth in the Net OPEB Obligation based on contributions to the benefit plan on a pay-as-you-go basis. We have used the fresh start method of amortization for the unfunded actuarial accrued liability each year for this estimate. The data have been projected into the future based on the current active population remaining constant. Also, the estimated employer

contributions are based on estimated pay-as-you-go benefit plan costs (retiree claims minus retiree contributions paid premiums) made during the year on behalf of the retired employees of the City.

### **C. Plan Descriptions**

#### **Eligibility**

Currently covered full-time active employees who qualify for retirement after attaining age 55 with at least 5 years service are eligible to receive postretirement health care and death benefits.

Employees with 5 years of service who qualify for a disability retirement are also eligible to receive postretirement health care and death benefits. Disabled retirees pay the same contribution rates for medical and life insurance coverage as nondisabled retirees.

Spouses are eligible for medical and prescription coverage only.

#### **Health Care Benefits Covered:**

All Retirees Under Age 65:

The postretirement health care plan is a self-funded plan administered by Anthem Blue Cross and Blue Shield. Spouses under age 65 are eligible for coverage in this plan. GASB No. 45 does not require governments to fund their OPEB plans. All results shown within this report assume that this plan will be funded.

#### **Medicare Eligible Retirees:**

Retirees and spouses are eligible to participate in a self-funded post-65 Medicare Carve-Out plan. Since retirees pay the true full cost of benefits, the employer has no liability; the post 65 plan is not valued in this report.

#### **Postretirement Death Benefits:**

Retirees can choose either \$5,000 or \$10,000 as a postretirement death benefit. Retirees contribute towards the cost of this benefit at \$2.15 per month or \$4.30 per month respectively. This rate reflects 100% of the blended (active & retiree) cost.

Retirees may choose or decline medical and death benefits independent of each other.

Membership at June 30, 2009, membership consisted of:

Number of Costed Employees	
1. Active Employees	1,070
2. Retirees eligible for benefits	249
3. Covered spouses of retirees and beneficiaries	125
4. Retirees with life insurance only	144
	<hr/>
5. Total employees	1,588
	<hr/>

#### **D. Annual OPEB Costs and Net OPEB Obligation**

**The net OPEB obligation as of June 30, 2009 was calculated as follows:**

Annual Required Contribution	\$	409,230
Interest on Net OPEB Obligation		-
Adjustments to Annual Required Contribution		62
Annual OPEB Cost		409,292
Contributions Made		(866,598)
Increase in Net OPEB Obligation		(457,306)
Net OPEB Obligation, Beginning of Year		550,384
Net OPEB Obligation, End of Year	\$	93,078

\*This adjustment is made to avoid overstating the net OPEB obligation at the end of the year by the portion of the Annual Required Contribution which is attributable to previously unpaid Annual Required Contributions.

#### **E. Actuarial Methods and Assumptions**

##### **Valuation Methods**

The Projected Unit Credit Method is used to calculate all of the expense amounts that are included in this report and the funded status of the Plan. The calculations are performed in accordance with the methodology set forth in GASB No. 45. Generally, the method is intended to match revenues with expenses and attributes an equal amount of an employee's projected benefit to each year from date of plan entry to the date that he is first eligible to retire with full benefits. Actuarial valuations for the plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations of the plan reflect a long-term perspective.

##### **Valuation of Assets**

The calculations in this report assume that the City will contribute an amount equal to or greater than the Annual Required Contribution to a trust fund and that these assets will be restricted for the sole purpose of providing postretirement medical and death benefits going forward. The beginning asset value used as of July 1, 2008 for purposes of this report is \$0.

##### **Employees Included In the Calculations**

All active employees who will meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

Although we believe these to be accurate and complete as of the valuation date, employee data supplied to us by the Employer has not been audited by us.

##### **Actuarial Assumptions**

In the June 30, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 10% reduced by 1.0% each year to arrive at an ultimate healthcare cost trend rate of 5.0%. Both rates include a 7.5% inflation assumption. The actuarial accrued liability was \$3,873,533. The plan's unfunded actuarial accrued liability is being amortized using the fresh start method. The remaining amortization period at June 30, 2009 was 30 years.

## F. Schedule of Funding Progress

Actuarial Valuation Date June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2)-(1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4)/(5)
2009	\$ -	\$ 3,873,533	\$ - %	3,873,533	\$ -	-

(The city implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.)

## G. Schedule of Employee Contributions

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	\$ 550,384	\$ 409,230	\$ 134%

## 14. Hedges

The City utilizes natural gas hedging to benefit its citizens by providing locked-in prices that help to stabilize rates. Hedging ensures that if prices should spike due to unforeseen circumstances, at least a portion of our load is protected. During the year ended June 30, 2009, the City purchased contracts totaling \$8,000,891, of which \$4,347,323 is hedged on behalf of Rate 45 customers. The portion that is hedged for customers who are not on Rate 45 is incorporated into those customers' rates. The contracted value of gas hedged for Rate 45 customers was \$875,829 above the June 30 market value of \$722,997, and the value for remaining customers was \$1,181,533 more than market at June 30, 2009.

## 15. Impact of Subsequent Stock Market Declines (Unaudited)

Subsequent to June 30, 2009, significant increases in fair value occurred in worldwide securities markets. As of September 30, 2009, the fair value of debt and equity securities owned by the ERS increased by approximately \$16.8 million or 11%, from \$152,162,801 million as of June 30, 2009. Fair value estimates for securities are currently volatile, difficult to predict and subject to material changes that could affect the ERS financial condition and results of operations in the near term.

\* \* \* \* \*



REQUIRED SUPPLEMENTARY  
INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION &  
ANALYSIS



## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2009

GENERAL FUND REVENUES	Original Budget	Final Budget	Actual	Variance
<b>Property taxes</b>				
Real property taxes	\$ 15,500,000	\$ 15,500,000	\$ 16,134,891	\$ 634,891
Real and personal public service corporation property taxes	373,000	373,000	331,669	(41,331)
Personal property taxes	10,616,500	10,616,500	10,042,912	(573,588)
Penalties and interest	460,000	460,000	575,619	115,619
<b>Total property taxes</b>	<b>26,949,500</b>	<b>26,949,500</b>	<b>27,085,091</b>	<b>135,591</b>
<b>Local taxes</b>				
Local sales and use taxes	8,400,000	8,400,000	7,800,856	(599,144)
Business license taxes	5,400,000	5,400,000	4,464,479	(935,521)
Prepared meals taxes	5,400,000	5,400,000	5,100,672	(299,328)
Consumer utility tax	1,020,000	1,020,000	1,013,694	(6,306)
Franchise license taxes	10,375	10,375	10,375	-
Motor vehicle license	940,000	940,000	1,055,947	115,947
Bank stock taxes	550,000	550,000	690,389	140,389
Taxes on recordation and wills	350,000	350,000	171,792	(178,208)
Daily property and room rental taxes	457,000	457,000	388,288	(68,712)
<b>Total local taxes</b>	<b>22,527,375</b>	<b>22,527,375</b>	<b>20,696,492</b>	<b>(1,830,883)</b>
<b>Fines and forfeitures</b>	<b>485,200</b>	<b>485,200</b>	<b>564,204</b>	<b>79,004</b>
<b>Permits, privilege fees and regulatory licenses</b>				
Dog tags	5,000	5,000	17,745	12,745
Permits and other licenses	208,375	208,375	152,433	(55,942)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>213,375</b>	<b>213,375</b>	<b>170,178</b>	<b>(43,197)</b>
<b>Revenue from use of money and property</b>				
Revenue from use of money	901,050	901,050	1,187,267	286,217
Revenue from the use of property	453,625	853,625	1,322,806	469,181
Market value adjustment	-	-	29,938	29,938
<b>Total revenue from use of money and property</b>	<b>1,354,675</b>	<b>1,754,675</b>	<b>2,540,011</b>	<b>785,336</b>
<b>Charges for services</b>				
Court costs	4,000	4,000	9,694	5,694
Correction and detention	3,326,942	3,439,079	3,262,028	(177,051)
Commonwealth's Attorney	160,000	160,000	146,626	(13,374)
Other protection	9,500	9,500	6,666	(2,834)
Parks and recreation	195,500	195,500	213,516	18,016
Library	31,500	31,500	21,682	(9,818)
Planning and community development	500	500	641	141
Lot clearing	20,000	20,000	18,413	(1,587)
Tax abatement applications	500	500	399	(101)
<b>Total charges for services</b>	<b>3,748,442</b>	<b>3,860,579</b>	<b>3,679,665</b>	<b>(180,914)</b>

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance
<b>Miscellaneous</b>	\$ 140,500	\$ 124,147	\$ 97,431	\$ (26,716)
<b>Recovered costs</b>	4,619,466	4,637,430	5,269,383	631,953
<b>Intergovernmental</b>				
Revenue from the Commonwealth				
Noncategorical aid	6,659,220	6,659,220	6,356,981	(302,239)
Shared expenditures:				
Commonwealth's Attorney	923,145	923,145	862,902	(60,243)
Sheriff	3,103,954	3,103,954	2,938,742	(165,212)
Commissioner of Revenue	168,975	168,975	166,683	(2,292)
Treasurer	119,268	119,268	121,666	2,398
Medical examiner	1,000	1,000	-	(1,000)
Registrar and electoral board	60,000	60,000	64,725	4,725
Clerk of Circuit Court	47,080	47,080	23,250	(23,830)
<b>Total shared expenditures</b>	4,423,422	4,423,422	4,177,968	(245,454)
<b>Welfare</b>	8,029,455	8,389,660	7,722,252	(667,408)
Other categorical aid:				
Forfeited property	-	100,863	100,863	-
Emergency services	88,563	111,537	79,987	(31,550)
E911 wireless	95,920	95,920	137,823	41,903
Fire services	127,616	138,587	142,713	4,126
Juvenile and domestic relations	1,408,985	1,408,985	1,334,618	(74,367)
National Guard armory	16,000	16,000	20,166	4,166
Street and highway maintenance	8,500,926	8,507,426	8,587,578	80,152
Library	188,000	188,000	171,723	(16,277)
Community development	-	-	-	-
<b>Total other categorical aid</b>	10,426,010	10,567,318	10,575,471	8,153
Revenue from the federal government:				
Payments in lieu of taxes	3,714	3,714	3,714	-
Law enforcement	-	-	1,652	1,652
Emergency services	-	-	-	-
Forfeited property	-	19,400	19,400	-
<b>Total revenue from the federal government</b>	3,714	23,114	24,766	1,652
<b>Total intergovernmental</b>	29,541,821	30,062,734	28,857,438	(1,205,296)
<b>Total General Fund revenues</b>	\$ 89,580,354	\$ 90,615,015	\$ 88,959,893	\$ (1,655,122)

See report of Independent auditors

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

<b>GENERAL FUND EXPENDITURES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>General Government</b>				
<b>Legislative</b>				
<i>City Council</i>				
Salaries	\$ 40,000	\$ 40,001	\$ 40,000	\$ (1)
Other	54,540	54,540	54,346	(194)
	94,540	94,541	94,346	(195)
<i>Mayor</i>				
Salaries	7,000	7,000	7,000	-
Other	3,036	3,036	990	(2,046)
	10,036	10,036	7,990	(2,046)
<b>Total legislative</b>	104,576	104,577	102,336	(2,241)
<b>General and financial administration</b>				
<i>City Manager</i>				
Salaries	443,235	403,144	288,890	(114,254)
Other	164,651	184,029	137,745	(46,284)
	607,886	587,173	426,635	(160,538)
<i>Personnel</i>				
Salaries	334,196	346,140	346,139	(1)
Other	136,405	131,760	118,701	(13,059)
	470,601	477,900	464,840	(13,060)
<i>Occupational health services</i>				
Salaries	72,748	72,748	70,651	(2,097)
Other	71,312	71,313	64,868	(6,445)
	144,060	144,061	135,519	(8,542)
<i>Budget</i>				
Salaries	65,741	65,741	65,741	-
Other	30,030	24,598	22,908	(1,690)
	95,771	90,339	88,649	(1,690)
<i>City Attorney</i>				
Salaries	238,305	233,061	202,315	(30,746)
Other	83,397	91,583	83,707	(7,876)
	321,702	324,644	286,022	(38,622)
<i>Independent auditor</i>				
Other	125,000	117,267	99,350	(17,917)
<i>Public affairs</i>				
Other	97,091	100,011	97,166	(2,845)
	97,091	100,011	97,166	(2,845)
<i>Commissioner of Revenue</i>				
Salaries	393,502	393,502	388,006	(5,496)
Other	108,471	108,327	96,515	(11,812)
	501,973	501,829	484,521	(17,308)
<i>Real estate assessment</i>				
Salaries	319,079	319,079	318,701	(378)
Other	103,068	103,068	98,087	(4,981)
	422,147	422,147	416,788	(5,359)

See report of Independent auditors  
(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance
<i>Board of Equalization</i>				
Other	2,088	2,088	989	(1,099)
	2,088	2,088	989	(1,099)
<b>General government administration</b>				
<i>Central collections</i>				
Salaries	465,422	465,594	461,405	(4,189)
Other	235,959	271,077	260,802	(10,275)
	701,381	736,671	722,207	(14,464)
<i>Treasurer</i>				
Salaries	171,959	171,959	151,308	(20,651)
Other	51,436	48,820	43,065	(5,755)
	223,395	220,779	194,373	(26,406)
<i>Finance and accounting</i>				
Salaries	741,879	763,485	763,485	-
Other	171,222	182,247	168,883	(13,364)
	913,101	945,732	932,368	(13,364)
<i>Purchasing</i>				
Salaries	174,946	174,946	174,945	(1)
Other	52,419	52,235	51,813	(422)
	227,365	227,181	226,758	(423)
<i>Management information systems</i>				
Salaries	1,195,705	1,196,363	1,187,391	(8,972)
Other	1,285,512	1,433,389	1,263,190	(170,199)
	2,481,217	2,629,752	2,450,581	(179,171)
<b>Total general and financial administration</b>	<b>7,334,778</b>	<b>7,527,574</b>	<b>7,026,766</b>	<b>(500,808)</b>
<b>Board of Elections</b>				
<i>Elections</i>				
Salaries	42,740	42,740	40,810	(1,930)
Other	37,700	38,717	36,757	(1,960)
	80,440	81,457	77,567	(3,890)
<i>Registrar</i>				
Salaries	81,311	81,311	81,082	(229)
Other	28,843	28,843	25,840	(3,003)
	110,154	110,154	106,922	(3,232)
<b>Total Board of Elections</b>	<b>190,594</b>	<b>191,611</b>	<b>184,489</b>	<b>(7,122)</b>
<b>Total General Government</b>	<b>7,629,948</b>	<b>7,823,762</b>	<b>7,313,591</b>	<b>(510,171)</b>
<b>Judicial Administration</b>				
<b>Courts</b>				
<i>Circuit Court</i>				
Salaries	145,194	145,194	129,437	(15,757)
Other	48,343	50,977	40,406	(10,571)
	193,537	196,171	169,843	(26,328)

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(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance
<i>General District Court</i>				
Salaries - legal services	38,455	26,908	26,907	(1)
Other	24,629	36,176	30,867	(5,309)
	63,084	63,084	57,774	(5,310)
<i>Courts</i>				
Other	2,325	2,325	1,267	(1,058)
<i>District Court service unit</i>				
Other	8,700	10,208	8,034	(2,174)
<i>Juvenile and Domestic Relations Court</i>				
Other	40,600	47,338	43,632	(3,706)
<i>Clerk of the Circuit Court</i>				
Salaries	93,225	93,225	91,370	(1,855)
Other	120,443	133,665	162,590	28,925
	213,668	226,890	253,960	27,070
<i>City Sheriff</i>				
Salaries	2,824,701	2,823,272	2,793,927	(29,345)
Other	854,254	845,236	796,640	(48,596)
	3,678,955	3,668,508	3,590,567	(77,941)
<b>Total courts</b>	<b>4,200,869</b>	<b>4,214,524</b>	<b>4,125,077</b>	<b>(89,447)</b>
<b>Commonwealth's Attorney</b>				
Salaries	982,815	982,815	956,014	(26,801)
Other	338,907	381,230	319,580	(61,650)
<b>Total Commonwealth's Attorney</b>	<b>1,321,722</b>	<b>1,364,045</b>	<b>1,275,594</b>	<b>(88,451)</b>
<b>Total judicial administration</b>	<b>5,522,591</b>	<b>5,578,569</b>	<b>5,400,671</b>	<b>(177,898)</b>
<b>Public Safety</b>				
<b>Law enforcement and traffic control</b>				
<i>Police</i>				
Salaries	6,450,150	6,028,804	5,922,910	(105,894)
Other	2,460,744	2,570,567	2,563,766	(6,801)
	8,910,894	8,599,371	8,486,676	(112,695)
<i>Traffic control and maintenance</i>				
Salaries	359,643	349,830	347,511	(2,319)
Other	532,318	545,281	403,382	(141,899)
	891,961	895,111	750,893	(144,218)
<b>Total law enforcement and traffic control</b>	<b>9,802,855</b>	<b>9,494,482</b>	<b>9,237,569</b>	<b>(256,913)</b>
<b>Fire and rescue services</b>				
<i>Fire</i>				
Salaries	5,480,372	5,484,081	5,455,316	(28,765)
Other	1,926,199	2,050,773	1,954,810	(95,963)
	7,406,571	7,534,854	7,410,126	(124,728)

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**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance
<i>Ambulance and rescue services</i>				
Other	119,879	143,579	112,029	(31,550)
<b>Total fire and rescue services</b>	<b>7,526,450</b>	<b>7,678,433</b>	<b>7,522,155</b>	<b>(156,278)</b>
 <b>Correction and detention</b>				
<i>Juvenile detention</i>				
Salaries	1,760,643	1,838,772	1,712,826	(125,946)
Other	1,968,378	2,059,218	1,881,785	(177,433)
	3,729,021	3,897,990	3,594,611	(303,379)
<i>City Jail</i>				
Salaries	31,350	32,779	32,778	(1)
Other	1,090,895	1,119,558	1,160,380	40,822
	1,122,245	1,152,337	1,193,158	40,821
<i>Adult detention</i>				
Salaries	1,474,201	1,475,872	1,410,098	(65,774)
Other	1,189,974	1,229,593	1,133,740	(95,853)
	2,664,175	2,705,465	2,543,838	(161,627)
<b>Total correction and detention</b>	<b>7,515,441</b>	<b>7,755,792</b>	<b>7,331,607</b>	<b>(424,185)</b>
 <b>Inspections</b>				
Salaries	421,314	421,314	418,749	(2,565)
Other	231,640	228,546	218,435	(10,111)
<b>Total inspections</b>	<b>652,954</b>	<b>649,860</b>	<b>637,184</b>	<b>(12,676)</b>
 <b>Other protection</b>				
<i>Animal control</i>				
Other	124,842	124,842	124,842	-
<i>Medical examiner</i>				
Other	1,000	1,000	839	(161)
<i>Emergency services</i>				
Salaries	98,671	98,671	82,722	(15,949)
Other	126,881	142,975	117,053	(25,922)
	225,552	241,646	199,775	(41,871)
<i>Emergency E-911</i>				
Salaries	776,077	766,577	602,268	(164,309)
Other	306,611	362,647	290,678	(71,969)
	1,082,688	1,129,224	892,946	(236,278)
<b>Total other protection</b>	<b>1,434,082</b>	<b>1,496,712</b>	<b>1,218,402</b>	<b>(278,310)</b>
<b>Total public safety</b>	<b>26,931,782</b>	<b>27,075,279</b>	<b>25,946,917</b>	<b>(1,128,362)</b>

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**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance
<b>Public Works</b>				
<b>Maintenance of highways, streets, bridges and sidewalks</b>				
<i>Warehouse</i>				
Salaries	83,119	84,483	83,400	(1,083)
Other	55,704	59,494	55,548	(3,946)
	<u>138,823</u>	<u>143,977</u>	<u>138,948</u>	<u>(5,029)</u>
<i>Airport</i>				
Salaries	220,169	220,169	212,165	(8,004)
Other	272,648	272,648	254,303	(18,345)
	<u>492,817</u>	<u>492,817</u>	<u>466,468</u>	<u>(26,349)</u>
<i>Director of public works and engineering</i>				
Salaries	378,694	384,131	384,129	(2)
Other	167,572	170,258	160,776	(9,482)
	<u>546,266</u>	<u>554,389</u>	<u>544,905</u>	<u>(9,484)</u>
<i>Engineering</i>				
Salaries	526,994	531,035	531,031	(4)
Other	158,823	175,396	162,043	(13,353)
	<u>685,817</u>	<u>706,431</u>	<u>693,074</u>	<u>(13,357)</u>
<i>Right of way landscaping</i>				
Other	90,000	143,436	89,818	(53,618)
<i>Street maintenance</i>				
Salaries	885,787	820,950	759,958	(60,992)
Other	4,171,805	5,206,827	4,741,042	(465,785)
	<u>5,057,592</u>	<u>6,027,777</u>	<u>5,501,000</u>	<u>(526,777)</u>
<i>Storm drainage</i>				
Salaries	165,749	129,182	103,485	(25,697)
Other	173,560	171,319	138,328	(32,991)
	<u>339,309</u>	<u>300,501</u>	<u>241,813</u>	<u>(58,688)</u>
<i>Street lighting</i>				
Other	950,000	1,037,418	1,036,803	(615)
	<u>950,000</u>	<u>1,037,418</u>	<u>1,036,803</u>	<u>(615)</u>
<i>Snow removal and storm damage</i>				
Drainage repair	51,500	32,679	32,777	98
Salaries	152,120	170,693	68,015	(102,678)
Other	266,832	262,459	144,685	(117,774)
	<u>470,452</u>	<u>465,831</u>	<u>245,477</u>	<u>(220,354)</u>
<i>Street cleaning</i>				
Salaries	206,827	206,827	160,586	(46,241)
Other	168,655	173,861	152,740	(21,121)
	<u>375,482</u>	<u>380,688</u>	<u>313,326</u>	<u>(67,362)</u>
<b>Total maintenance of highways, streets, bridges, and sidewalks</b>	<u>9,146,558</u>	<u>10,253,265</u>	<u>9,271,632</u>	<u>(981,633)</u>

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**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance
<b>Maintenance of general buildings and grounds</b>				
<i>Maintenance of buildings and facilities</i>				
Salaries	164,872	165,343	157,011	(8,332)
Other	202,118	250,308	182,139	(68,169)
	366,990	415,651	339,150	(76,501)
<i>Maintenance of public grounds</i>				
Salaries	570,128	587,870	552,982	(34,888)
Other	806,740	801,691	743,481	(58,210)
	1,376,868	1,389,561	1,296,463	(93,098)
<i>Weed abatement program</i>				
Salaries	36,027	36,028	36,027	(1)
Other	78,137	104,529	104,541	12
	114,164	140,557	140,568	11
<i>City Beautiful</i>				
Other	10,000	15,100	8,727	(6,373)
<i>Municipal building</i>				
Salaries	231,700	231,931	196,917	(35,014)
Other	316,211	379,934	359,189	(20,745)
	547,911	611,865	556,106	(55,759)
<i>Courts and jail building</i>				
Salaries	119,728	119,636	101,282	(18,354)
Other	316,520	448,225	431,995	(16,230)
	436,248	567,861	533,277	(34,584)
<i>Financial services center</i>				
Salaries	11,925	13,539	149,037	135,498
Other	100,556	100,372	(46,632)	(147,004)
	112,481	113,911	102,405	(11,506)
<b>Total maintenance of general buildings and grounds</b>	2,964,662	3,254,506	2,976,696	(277,810)
<b>Total Public Works</b>	12,111,220	13,507,771	12,248,328	(1,259,443)
<b>Health and Welfare</b>				
<i>Health</i>				
Other	586,201	586,201	561,354	(24,847)
<i>Mental health and mental retardation</i>				
Other	168,411	168,411	168,411	-
<b>Welfare and social services</b>				
<i>Director of human services</i>				
Salaries	138,713	138,713	129,567	(9,146)
Other	38,103	43,703	32,585	(11,118)
	176,816	182,416	162,152	(20,264)
<i>Social services bureau</i>				
Salaries	3,563,092	3,487,074	3,203,596	(283,478)
Other	6,056,983	6,538,947	5,823,215	(715,732)
	9,620,075	10,026,021	9,026,811	(999,210)

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**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance
<i>Southern Area Agency on Aging</i>				
Other	5,283	5,283	5,283	-
<i>State and local hospitalization</i>				
Other	10,384	10,384	11,260	876
<i>Child care initiative</i>				
Other	-	-	6,850	6,850
<i>Property tax relief for the elderly</i>				
Other	75,000	75,000	55,468	(19,532)
<b>Total welfare and social services</b>	<b>9,887,558</b>	<b>10,299,104</b>	<b>9,267,824</b>	<b>(1,031,280)</b>
<b>Total Health and Welfare</b>	<b>10,642,170</b>	<b>11,053,716</b>	<b>9,997,589</b>	<b>(1,056,127)</b>
<b>Education</b>				
Danville Community College	10,973	30,973	30,973	-
Danville School Board	18,424,857	21,372,433	16,672,987	(4,699,446)
<b>Total Education</b>	<b>18,435,830</b>	<b>21,403,406</b>	<b>16,703,960</b>	<b>(4,699,446)</b>
<b>Parks, Recreation, and Cultural</b>				
<b>Parks and Recreation</b>				
<i>Recreation</i>				
Salaries	1,277,326	1,272,342	1,186,032	(86,310)
Other	651,605	665,087	599,426	(65,661)
	1,928,931	1,937,429	1,785,458	(151,971)
<i>After school instructional program</i>				
Salaries	118,870	118,870	103,842	(15,028)
Other	25,894	25,894	44,603	18,709
	144,764	144,764	148,445	3,681
<i>Carrington Pavilion</i>				
Salaries	13,110	13,110	3,050	(10,060)
Other	10,596	10,761	9,042	(1,719)
	23,706	23,871	12,092	(11,779)
<i>Recreation buildings - maintenance</i>				
Salaries	96,316	69,513	58,062	(11,451)
Other	403,631	412,023	382,433	(29,590)
	499,947	481,536	440,495	(41,041)

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**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance
<i>Recreation grounds - maintenance</i>				
Salaries	490,033	490,292	436,252	(54,040)
Other	678,155	670,723	705,140	34,417
	1,168,188	1,161,015	1,141,392	(19,623)
<b>Total parks and recreation</b>	<b>3,765,536</b>	<b>3,748,615</b>	<b>3,527,882</b>	<b>(220,733)</b>
<b>Cultural enrichment</b>				
<i>Tourism and preservation</i>				
Salaries	174,238	174,040	124,640	(49,400)
Other	257,221	277,223	268,831	(8,392)
	431,459	451,263	393,471	(57,792)
<b>Public libraries</b>				
Salaries	602,142	597,319	558,109	(39,210)
Other	626,063	634,503	617,477	(17,026)
Total public libraries	1,228,205	1,231,822	1,175,586	(56,236)
<b>Total Parks, Recreation, and Cultural</b>	<b>5,425,200</b>	<b>5,431,700</b>	<b>5,096,939</b>	<b>(334,761)</b>
<b>Community Development</b>				
<b>Planning and community development</b>				
<i>Director of community development</i>				
Salaries	186,165	177,337	177,337	-
Other	86,126	114,025	108,419	(5,606)
	272,291	291,362	285,756	(5,606)
<i>Economic development</i>				
Salaries	367,668	371,397	343,358	(28,039)
Other	376,098	409,405	360,236	(49,169)
	743,766	780,802	703,594	(77,208)
<i>Enterprise zone activities</i>				
Other	113,000	116,146	83,498	(32,648)
<i>Planning</i>				
Salaries	157,409	171,160	171,159	(1)
Other	122,545	120,775	51,076	(69,699)
	279,954	291,935	222,235	(69,700)
<i>Planning commission</i>				
Other	6,100	6,684	5,889	(795)
<i>West Piedmont Planning District</i>				
Other	27,126	27,126	26,887	(239)
<i>Zoning board</i>				
Salaries	1,365	1,365	585	(780)
Other	3,224	2,640	2,119	(521)
	4,589	4,005	2,704	(1,301)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance
<i>Downtown</i>				
Other	-	3,000	118	(2,882)
<b>Total planning and community development</b>	1,446,826	1,521,060	1,330,681	(190,379)
<i>Virginia Cooperative Extension</i>				
Other	30,100	30,100	26,963	(3,137)
<b>Total Community Development</b>	1,476,926	1,551,160	1,357,644	(193,516)
<b>Nondepartmental</b>				
Employee benefits	4,500,700	4,962,967	4,367,558	(595,409)
Other	(62,009)	264,491	3,036	(261,455)
<b>Total Nondepartmental</b>	4,438,691	5,227,458	4,370,594	(856,864)
<b>Debt Service</b>				
Principal	4,275,990	4,275,990	4,275,988	(2)
Interest	1,266,168	1,700,053	1,654,426	(45,627)
<b>Total debt service</b>	5,542,158	5,976,043	5,930,414	(45,629)
<b>Total General Fund Expenditures</b>	\$ 98,156,516	\$ 104,628,864	\$ 94,366,647	\$ (10,262,217)

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**June 30, 2009**

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***Budgets and Budgetary Accounting***

Prior to April 1, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance them. After a public hearing has been conducted to obtain taxpayer comments, the budget is legally adopted through passage of an ordinance prior to July 1, of each year.

The City Manager is authorized to transfer budgeted amounts within each fund. Transfers between funds require City Council approval.

An annual operating budget is adopted for only the General Fund. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles accepted in the United States of America on a basis consistent with the legally adopted budget as amended. Effective budgetary control is achieved for the Capital Projects Fund and Special Revenues Funds, on a project-by-project or per grant basis when funding sources become available.

Budgets are adopted for management control for the Enterprise and Internal Services Funds. The restrictions on transfer of budgeted amounts for governmental funds also apply to the Enterprise and Internal Service Funds, except in the Gas and Electric Funds. Amounts in those funds budgeted for the purchase of natural gas and electric power may be increased to the extent that actual revenues exceed the original budgeted revenue.

All appropriations lapse at year end except appropriations within the Capital Projects Fund and Special Revenue Funds, which are continued until completion of the applicable projects or grants, even when such projects or grants extend beyond one fiscal year.

## OTHER SUPPLEMENTARY INFORMATION

# CITY OF DANVILLE, VIRGINIA

## Combining Statements

### Nonmajor Governmental Funds

For the Year Ended June 30, 2009

- ⌘ Special Revenue Funds – used to account for specific revenues that are legally restricted to expenditures for specified purposes.
- ⌘ Cemetery Maintenance Fund – is a permanent fund used to account for funds set aside to provide for the perpetual care of City cemeteries. Only the earnings from the investments of this fund may be expended.

**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS****June 30, 2009**

	Special Revenue	Cemetery Maintenance	Total
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 2,569,222	\$ 2,569,222
Receivables - net	23,859	-	23,859
Due from other governments	1,588,847	-	1,588,847
<b>Total assets</b>	<b>\$ 1,612,706</b>	<b>\$ 2,569,222</b>	<b>\$ 4,181,928</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 263,515	\$ -	\$ 263,515
Due to other funds	675,723	-	675,723
Deferred revenue	20,757	-	20,757
<b>Total liabilities</b>	<b>959,995</b>	<b>-</b>	<b>959,995</b>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	642,051	-	642,051
Cemetery maintenance	-	2,569,222	2,569,222
Unreserved	10,660	-	10,660
<b>Total fund balances</b>	<b>652,711</b>	<b>2,569,222</b>	<b>3,221,933</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,612,706</b>	<b>\$ 2,569,222</b>	<b>\$ 4,181,928</b>

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
NONMAJOR GOVERNMENTAL FUNDS**

**Year Ended June 30, 2009**

	Special Revenue	Cemetery Maintenance	Total
<b>REVENUES</b>			
Miscellaneous	\$ 335,268	\$ 27,250	\$ 362,518
Intergovernmental	4,456,008	-	4,456,008
<b>Total revenues</b>	<b>4,791,276</b>	<b>27,250</b>	<b>4,818,526</b>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial administration	22,777	-	22,777
Public safety	1,101,907	-	1,101,907
Public works	111,198	-	111,198
Health and welfare	4,068,484	-	4,068,484
Parks, recreation, and cultural	464,087	-	464,087
Community Development	10,321	-	10,321
<b>Total expenditures</b>	<b>5,778,774</b>	<b>-</b>	<b>5,778,774</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(987,498)</b>	<b>27,250</b>	<b>(960,248)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	935,824	-	935,824
<b>Net change in fund balances</b>	<b>(51,674)</b>	<b>27,250</b>	<b>(24,424)</b>
Fund balances - beginning of year	704,385	2,541,972	3,246,357
Fund balances - end of year	\$ 652,711	\$ 2,569,222	\$ 3,221,933

See report of independent auditors



# CITY OF DANVILLE, VIRGINIA

## Combining Statements

### Nonmajor Enterprise Funds

For the Year Ended June 30, 2009

- ⊕ Transportation – provides mass transit service throughout the City.
- ⊕ Sanitation – provides for the collection and disposal of solid waste.
- ⊕ Cemetery Operations – provides for burial services and cemetery maintenance.
- ⊕ Telecommunications – provides broadband communication needs of the City and Danville Public Schools currently with plans to expand to provide access to businesses and homes.

## COMBINING BALANCE SHEET-NONMAJOR ENTERPRISE FUNDS

June 30, 2009

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>ASSETS</b>					
Current assets					
Cash and investments	\$ -	\$ 500,504	\$ 51,421	\$ 1,417,988	\$ 1,969,913
Receivables - net	6,843	114,974	-	133,057	254,874
Due from other governments	603,987	-	-	-	603,987
Inventory	-	-	-	248,439	248,439
Pension asset	-	125,463	-	-	125,463
<b>Total current assets</b>	<b>610,830</b>	<b>740,941</b>	<b>51,421</b>	<b>1,799,484</b>	<b>3,202,676</b>
Noncurrent assets					
Capital assets:					
Land and improvements	-	509,232	-	-	509,232
Construction in progress	-	-	-	631,298	631,298
Buildings, structures, and improvements	1,858,764	1,601,809	-	-	3,460,573
Equipment	1,253,241	402,282	-	3,222,144	4,877,667
Less - accumulated depreciation	(1,080,532)	(1,845,629)	-	(247,166)	(3,173,327)
<b>Total noncurrent assets - net</b>	<b>2,031,473</b>	<b>667,694</b>	<b>-</b>	<b>3,606,276</b>	<b>6,305,443</b>
<b>Total assets</b>	<b>2,642,303</b>	<b>1,408,635</b>	<b>51,421</b>	<b>5,405,760</b>	<b>9,508,119</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	41,135	89,333	13,171	88,830	232,469
Accrued interest	4	73	-	-	77
Due to other funds	156,713	-	-	-	156,713
Pension liability	1,808	-	20,488	4,823	27,119
OPEB liability	-	-	-	-	-
Long-term liabilities - due within one year	23,470	72,835	14,905	2,591	113,801
<b>Total current liabilities</b>	<b>223,130</b>	<b>162,241</b>	<b>48,564</b>	<b>96,244</b>	<b>530,179</b>
Long-term liabilities - due in more than one year	1,567	17,883	1,975	156	21,581
Compensated absences	2,929	7,744	882	292	11,847
<b>Total noncurrent liabilities</b>	<b>4,496</b>	<b>25,627</b>	<b>2,857</b>	<b>448</b>	<b>33,428</b>
<b>Total liabilities</b>	<b>227,626</b>	<b>187,868</b>	<b>51,421</b>	<b>96,692</b>	<b>563,607</b>
<b>NET ASSETS</b>					
Invested in capital assets - net of related debt	2,030,801	654,326	-	3,606,276	6,291,403
Restricted - capital projects	99,027	-	-	501,750	600,777
Unrestricted	284,849	566,441	-	1,201,042	2,052,332
<b>Total net assets</b>	<b>\$ 2,414,677</b>	<b>\$ 1,220,767</b>	<b>\$ -</b>	<b>\$ 5,309,068</b>	<b>\$ 8,944,512</b>

See report of independent auditors

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS**

**Year Ended June 30, 2009**

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 232,042	\$ 3,457,738	\$ 587,121	\$ 1,514,600	\$ 5,791,501
<b>OPERATING EXPENSES</b>					
Services	1,233,249	3,499,880	882,616	569,647	6,185,392
Depreciation	197,816	5,236	-	191,937	394,989
<b>Total operating expenses</b>	<b>1,431,065</b>	<b>3,505,116</b>	<b>882,616</b>	<b>761,584</b>	<b>6,580,381</b>
<b>Operating income (loss)</b>	<b>(1,199,023)</b>	<b>(47,378)</b>	<b>(295,495)</b>	<b>753,016</b>	<b>(788,880)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Sales income	-	-	122,200	-	122,200
Jobbing income	-	-	-	28,625	28,625
Rental income	23,589	7,699	-	-	31,288
Recovered cost	17,947	-	-	-	17,947
Gain on sale of assets	(41,809)	-	-	-	(41,809)
Federal and state grants	832,039	-	-	-	832,039
In-kind contributions	152,062	-	-	-	152,062
Interest income	834	17,933	78,241	44,453	141,461
Interest expense	(59)	(1,161)	-	-	(1,220)
<b>Total nonoperating revenues</b>	<b>984,603</b>	<b>24,471</b>	<b>200,441</b>	<b>73,078</b>	<b>1,282,593</b>
<b>Income (loss) before transfers</b>	<b>(214,420)</b>	<b>(22,907)</b>	<b>(95,054)</b>	<b>826,094</b>	<b>493,713</b>
<b>Transfers</b>					
Capital contributions	-	-	-	49,068	49,068
Transfer in from other funds	175,805	-	95,054	-	270,859
Transfer out to general fund	-	-	-	(302,000)	(302,000)
<b>Total transfers</b>	<b>175,805</b>	<b>-</b>	<b>95,054</b>	<b>(252,932)</b>	<b>(31,141)</b>
<b>Change in net assets</b>	<b>(38,615)</b>	<b>(22,907)</b>	<b>-</b>	<b>573,162</b>	<b>511,640</b>
<b>Net assets - beginning of year</b>	<b>2,453,292</b>	<b>1,243,674</b>	<b>-</b>	<b>4,735,906</b>	<b>8,432,872</b>
<b>Net assets - end of year</b>	<b>\$ 2,414,677</b>	<b>\$ 1,220,767</b>	<b>\$ -</b>	<b>\$ 5,309,068</b>	<b>\$ 8,944,512</b>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2009

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
Cash flows from operating activities					
Received from customers	\$ 237,935	\$ 3,436,273	\$ 587,121	\$ 1,416,295	\$ 5,677,624
Payments to suppliers for goods and services	(375,857)	(1,540,827)	(232,166)	(531,267)	(2,680,117)
Payments to employees for services	(676,023)	(1,619,598)	(557,882)	(188,220)	(3,041,723)
Payments to internal service funds for goods and services	(2,807)	(350,905)	(92,547)	(401)	(446,660)
Nonoperating revenue	41,536	7,699	122,200	28,625	200,060
Net cash from operating activities	(775,216)	(67,358)	(173,274)	725,032	(290,816)
Cash flows from noncapital financing activities					
Transfers from other funds	175,805	-	95,054	-	270,859
Transfers to other funds	-	-	-	(302,000)	(302,000)
Operating grants received	658,307	-	-	-	658,307
Net cash from noncapital financing activities	834,112	-	95,054	(302,000)	627,166
Cash flows from capital and related financing activities					
Acquisition of capital assets	(60,823)	(69,522)	-	(853,578)	(983,923)
Principal payments on long-term debt	(1,863)	(37,060)	-	-	(38,923)
Proceeds on long-term debt	769	15,299	-	-	16,068
Interest payments on long-term debt	(82)	(1,619)	-	-	(1,701)
Proceeds from sale of capital assets	2,300	-	-	-	2,300
Contributed capital	-	-	-	49,068	49,068
Net cash from capital and related financing activities	(59,699)	(92,902)	-	(804,510)	(957,111)
Cash flows from investing activities -					
Interest on investments	834	17,197	76,178	42,866	137,075
Net activity in investment securities	(31)	106	2,063	1,589	3,727
Net cash from investing activities	803	17,303	78,241	44,455	140,802
Net increase in cash and investments	-	(142,957)	21	(337,023)	(479,959)
Cash and investments - beginning of year	-	643,461	51,400	1,755,011	2,449,872
Cash and investments - end of year	\$ -	\$ 500,504	\$ 51,421	\$ 1,417,988	\$ 1,969,913
Reconciliation of operating income (loss) to net cash from operating activities					
Operating income (loss)	\$ (1,199,023)	\$ (47,378)	\$ (295,495)	\$ 753,016	\$ (788,880)
Adjustments:					
Depreciation charged to operations	197,816	5,236	-	191,937	394,989
In-kind contributions	152,062	-	-	-	152,062
Change in noncash employee benefits charged to operations	(4,637)	(12,845)	(8,816)	2,519	(23,779)
Nonoperating revenue	41,536	7,699	122,200	28,625	200,060
Changes in assets and liabilities:					
Accounts receivable	5,892	(22,465)	-	(98,305)	(114,878)
Reserve for uncollectibles	-	1,000	-	-	1,000
Inventory	-	-	-	(108,800)	(108,800)
Accounts payable	27,022	1,395	8,837	(43,960)	(6,706)
Due to primary government	4,116	-	-	-	4,116
Net cash from operating activities	\$ (775,216)	\$ (67,358)	\$ (173,274)	\$ 725,032	\$ (290,816)
Supplemental disclosure of noncash investing, capital, and financing activities:					
Increase in fair value of investments	\$ 110	\$ 736	\$ 2,063	\$ 1,588	\$ 4,497

See report of independent auditors

# CITY OF DANVILLE, VIRGINIA

## Combining Statements

### Internal Service Funds

For the Year Ended June 30, 2009

- ⌘ Motorized Equipment – acquires and maintains all vehicles used by the various departments of the City.
- ⌘ Central Services – provides office supplies and printing services for all departments of the City.
- ⌘ Insurance – provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.

## COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2009

	Motorized Equipment	Central Services	Insurance	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ -	\$ 12,579	\$ 4,454,873	\$ 4,467,452
Cash and investments - held by fiscal agent	-	-	60,000	60,000
Receivables - net	-	3,464	-	3,464
Inventories	-	114,638	-	114,638
Pension asset	21,128	4,403	-	25,531
<b>Total current assets</b>	<b>21,128</b>	<b>135,084</b>	<b>4,514,873</b>	<b>4,671,085</b>
<b>Noncurrent assets</b>				
Capital assets -				
Equipment	9,969,125	246,736	-	10,215,861
Less - accumulated depreciation	(7,724,276)	(221,311)	-	(7,945,587)
<b>Total noncurrent assets</b>	<b>2,244,849</b>	<b>25,425</b>	<b>-</b>	<b>2,270,274</b>
<b>Total assets</b>	<b>2,265,977</b>	<b>160,509</b>	<b>4,514,873</b>	<b>6,941,359</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	36,732	10,559	-	47,291
Accrued interest	119	-	-	119
Due to other governments	556,900	-	-	556,900
Long-term liabilities - due within one year	21,837	-	-	21,837
<b>Total current liabilities</b>	<b>615,588</b>	<b>10,559</b>	<b>-</b>	<b>626,147</b>
Long-term liabilities - due in more than one year	20,035	4,889	-	24,924
<b>Total liabilities</b>	<b>635,623</b>	<b>15,448</b>	<b>-</b>	<b>651,071</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	2,223,012	25,425	-	2,248,437
Unrestricted	(592,658)	119,636	4,514,873	4,041,851
<b>Total net assets</b>	<b>\$ 1,630,354</b>	<b>\$ 145,061</b>	<b>\$ 4,514,873</b>	<b>\$ 6,290,288</b>

See report of independent auditors

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
INTERNAL SERVICE FUNDS**


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**Year Ended June 30, 2009**


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	Motorized Equipment	Central Services	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,813,540	\$ 463,939	\$ 2,495,061	\$ 5,772,540
<b>OPERATING EXPENSES</b>				
Operations	2,427,846	492,629	2,495,061	5,415,536
Depreciation	598,189	9,055	-	607,244
<b>Total operating expenses</b>	<b>3,026,035</b>	<b>501,684</b>	<b>2,495,061</b>	<b>6,022,780</b>
Operating loss	(212,495)	(37,745)	-	(250,240)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of assets	78,243	-	-	78,243
Miscellaneous	21,965	-	-	21,965
Interest income	-	656	128,155	128,811
Interest expense	(1,895)	-	-	(1,895)
<b>Total nonoperating revenues (expenses)</b>	<b>98,313</b>	<b>656</b>	<b>128,155</b>	<b>227,124</b>
<b>Income (loss) before transfers</b>	<b>(114,182)</b>	<b>(37,089)</b>	<b>128,155</b>	<b>(23,116)</b>
<b>Change in net assets</b>	<b>(114,182)</b>	<b>(37,089)</b>	<b>128,155</b>	<b>(23,116)</b>
<b>Net assets - beginning of year</b>	<b>1,744,536</b>	<b>182,150</b>	<b>4,386,718</b>	<b>6,313,404</b>
<b>Net assets - end of year</b>	<b>\$ 1,630,354</b>	<b>\$ 145,061</b>	<b>\$ 4,514,873</b>	<b>\$ 6,290,288</b>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2009

	Motorized Equipment	Central Services	Insurance	Total
Cash flows from operating activities				
Received from customers	\$ 2,817,274	\$ 460,877	\$ 2,495,061	\$ 5,773,212
Payments to suppliers for goods and services	(1,602,770)	(373,986)	(2,461,642)	(4,438,398)
Payments to employees for services	(710,286)	(126,908)	-	(837,194)
Payments to internal service funds for goods and services	(37,215)	(7,284)	-	(44,499)
Nonoperating revenue	586	-	-	586
Net cash from operating activities	467,589	(47,301)	33,419	453,707
Cash flows from capital and related financing activities				
Acquisition of capital assets	(527,986)	-	-	(527,986)
Principal payments on long-term debt	(60,541)	-	-	(60,541)
Proceeds on long-term debt	24,993	-	-	24,993
Interest payments on long-term debt	(2,646)	-	-	(2,646)
Proceeds from sale of capital assets	78,243	-	-	78,243
Nonoperating grants received	21,379	-	-	21,379
Net cash from capital and related financing activities	(466,558)	-	-	(466,558)
Cash flows from investing activities				
Interest on investments	-	597	124,262	124,859
Net activity in investments	(1,031)	59	3,893	2,921
Net cash from investing activities	(1,031)	656	128,155	127,780
Net increase in cash and investments	-	(46,645)	161,574	114,929
Cash and investments - beginning of year	-	59,224	4,353,299	4,412,523
Cash and investments - end of year	\$ -	\$ 12,579	\$ 4,514,873	\$ 4,527,452
Reconciliation of operating loss to net cash from operating activities				
Operating loss	\$ (212,495)	\$ (37,745)	\$ -	\$ (250,240)
Adjustments:				
Depreciation charged to operations	598,189	9,055	-	607,244
Nonoperating revenue	586	-	-	586
Change in noncash employee benefits charged to operations	(10,795)	(441)	-	(11,236)
Changes in assets and liabilities:				
Accounts receivable	3,734	(3,063)	-	671
Inventories	-	(19,007)	-	(19,007)
Accounts payable	88,370	3,900	33,419	125,689
Net cash from operating activities	\$ 467,589	\$ (47,301)	\$ 33,419	\$ 453,707
Supplemental disclosure of noncash investing, capital and financing activities:				
Increase in fair value of investments	\$ -	\$ 59	\$ 3,893	\$ 3,952

See report of independent auditors.



# CITY OF DANVILLE, VIRGINIA

## Combining Statements

### Agency Funds

For the Year Ended June 30, 2009

- ⌘ Veterans Memorial Fund – the City acts as custodian of monies donated to the Veterans Memorial in Danville, Virginia.

*Schedules of Changes in Assets and Liabilities - Veterans Memorial Fund*

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**Year Ended June 30, 2009**

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	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash	<u>\$          690</u>	<u>\$      24,000</u>	<u>\$      11,269</u>	<u>\$      13,421</u>
Liabilities - accounts payable	<u>\$          690</u>	<u>\$      24,000</u>	<u>\$      11,269</u>	<u>\$      13,421</u>

*See report of independent auditors.*

## SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2009

Function and Activity	Land and Land Improvements	Buildings	Furniture and Equipment	Infrastructure	Total
General government administration:					
General and financial administration	\$ 367,558	\$ -	\$ 79,213	\$ -	\$ 446,771
Social services building	-	150,548	-	-	150,548
Public safety:					
Law enforcement and traffic control	-	89,257	363,140	-	452,397
Fire and rescue services	49,218	1,010,194	103,029	-	1,162,441
Corrections and detention	-	7,892,542	19,237	-	7,911,779
Inspections and other	-	122,324	-	-	122,324
Public works:					
Airport	3,198,128	4,397,894	81,715	-	7,677,737
General	305,000	362,311	210,939	-	878,250
Maintenance of highways, bridges and sidewalks	125,000	-	-	8,230,136	8,355,136
Health and welfare	-	81,204	88,306	-	169,510
Parks, recreation and cultural	-	4,410,940	177,891	-	4,588,831
Community development	27,293	-	-	-	27,293
General property	7,629,555	1,674,542	365,725	-	9,669,822
	11,701,752	20,191,756	1,489,195	8,230,136	41,612,839
Construction in progress	371,042	1,237,761	7,005,188	1,215,839	9,829,830
	12,072,794	21,429,517	8,494,383	9,445,975	51,442,669
Capital assets from Danville School Board	3,408,072	833,484	11,118,825	-	15,360,381
	\$ 15,480,866	\$ 22,263,001	\$ 19,613,208	\$ 9,445,975	\$ 66,803,050

\* All totals are net of depreciation

## SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2009

Function and Activity	Balance June 30, 2008	Additions	Depreciation/ Deletions	Balance June 30, 2009
General government administration:				
General and financial administration	\$ 138,317	\$ 99,016	\$ (19,803)	\$ 217,530
Social services building	63,441	-	-	63,441
Public safety:				
Law enforcement and traffic control	1,282,796	804,986	(1,226,839)	860,943
Fire and rescue services	2,444,042	-	-	2,444,042
Corrections and detention	8,047,703	146,631	(119,409)	8,074,925
Inspections and other	105,512	-	-	105,512
Public works:				
Airport	7,343,643	-	(246,735)	7,096,908
General	964,620	-	-	964,620
Maintenance of highways, streets and bridges	13,518,511	-	-	13,518,511
Health and welfare	15,137	56,886	(221,554)	(149,531)
Parks, recreation and cultural	4,373,525	20,353	(177,541)	4,216,337
Community development	107,078	-	(150,138)	(43,060)
General property	1,586,705	4,088,974	(1,433,018)	4,242,661
	39,991,030	5,216,846	(3,595,037)	41,612,839
Construction in progress	7,257,633	17,703,705	(15,131,508)	9,829,830
	47,248,663	22,920,551	(18,726,545)	51,442,669
Capital assets from Danville School Board	17,283,821	-	(1,923,440)	15,360,381
	\$ 64,532,484	\$ 22,920,551	\$ (20,649,985)	\$ 66,803,050

\* All totals are net of depreciation

**SCHEDULE OF CAPITAL ASSETS - BY SOURCE****June 30, 2009**

Land and land improvements	\$ 11,701,752
Buildings	20,191,756
Infrastructure	8,230,136
Equipment	1,489,195
Construction in progress	<u>9,829,830</u>
	<u>\$ 51,442,669</u>
Capital projects funds:	
General obligation bonds	\$ 19,239,786
General appropriations	9,368,369
General fund revenues	13,175,874
Special revenue fund revenues	538,329
Federal grants	3,023,877
State grants	5,099,009
Contributions	<u>997,425</u>
	51,442,669
Danville School Board	<u>15,360,381</u>
	<u>\$ 66,803,050</u>

\* All totals are net of depreciation

# STATISTICAL SECTION

# STATISTICAL SECTION

This part of the City of Danville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	131
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and charges for utility services.</i>	137
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	142
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.</i>	146
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	148

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DANVILLE, VIRGINIA  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS\*

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 14,159,109	\$ 9,219,518	\$ 14,927,384	\$ 20,589,644	\$ 21,592,954	\$ 24,811,422	\$ 28,858,705	\$ 29,933,932	\$ 37,094,092
Restricted	21,010,002	13,760,973	10,170,443	6,153,666	6,573,888	8,602,821	10,031,903	8,229,657	10,207,310
Unrestricted	39,168,249	36,949,622	38,991,299	39,360,575	38,433,286	40,651,729	47,172,244	50,143,933	46,202,951
Total governmental activities net assets	\$ 74,337,360	\$ 59,930,113	\$ 64,089,126	\$ 66,103,885	\$ 66,599,928	\$ 74,065,972	\$ 86,062,852	\$ 88,307,522	\$ 93,504,353
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 102,319,875	\$ 112,403,637	\$ 125,436,377	\$ 141,102,057	\$ 156,570,378	\$ 162,072,054	\$ 172,325,000	\$ 189,153,872	\$ 190,621,794
Restricted	8,516,533	5,908,783	4,072,210	9,419,436	14,528,018	26,205,121	29,047,292	30,889,610	42,001,357
Unrestricted	53,735,248	56,440,907	59,009,400	48,615,924	35,172,773	30,425,855	34,299,631	32,524,963	34,605,909
Total business-type activities net assets	\$ 164,571,656	\$ 174,753,327	\$ 188,517,987	\$ 199,137,417	\$ 205,271,169	\$ 218,703,030	\$ 235,671,923	\$ 252,568,445	\$ 267,229,060
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 116,478,984	\$ 121,623,155	\$ 140,363,761	\$ 161,691,701	\$ 180,163,332	\$ 186,883,476	\$ 201,183,705	\$ 219,087,804	\$ 227,715,886
Restricted	29,526,535	19,669,756	14,242,653	15,573,102	21,101,706	34,807,942	39,079,195	39,119,267	52,208,667
Unrestricted	92,903,497	93,390,529	98,000,699	87,976,499	73,606,059	71,077,584	81,471,875	82,668,896	80,808,860
Total primary government net assets	\$ 238,909,016	\$ 234,683,440	\$ 252,607,113	\$ 265,241,302	\$ 274,871,097	\$ 292,769,002	\$ 321,734,775	\$ 340,875,967	\$ 360,733,413

\* Information prior to June 30, 2001 is difficult to extract due to change in software.



CITY OF DANVILLE, VIRGINIA  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS\*

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>									
Governmental activities:									
General government	\$ 6,184,350	\$ 12,835,788	\$ 11,080,064	\$ 11,208,242	\$ 11,563,702	\$ 10,706,147	\$ 10,978,148	\$ 16,703,620	\$ 17,366,229
Judicial administration	4,160,634	5,339,394	5,290,396	4,232,325	4,506,834	4,803,342	5,218,767	4,853,835	4,690,120
Public safety	20,318,750	21,443,155	21,611,220	20,971,031	23,709,019	25,172,041	24,929,019	25,809,136	27,871,098
Public works	8,845,087	8,965,027	9,748,484	10,129,695	12,961,903	11,832,496	10,844,833	12,423,465	18,044,882
Health and welfare	8,176,523	11,312,848	11,908,642	10,589,382	10,751,310	12,285,520	12,844,409	13,743,677	14,011,832
Parks, recreation, cultural	4,849,461	4,870,006	4,926,303	5,621,196	5,456,588	5,009,150	5,367,886	5,666,299	5,834,463
Community development	3,852,704	5,130,797	5,444,251	7,893,504	7,893,276	7,392,661	11,796,198	4,133,310	4,127,674
Education	17,487,152	31,803,899	21,623,266	23,598,363	17,932,956	20,143,175	16,903,673	22,343,504	19,762,967
Interest on long-term debt	2,561,321	1,045,005	2,112,705	2,461,084	1,886,516	1,665,956	1,617,511	6,732,839	6,988,805
Nondepartmental	2,613,717	740,944	1,013,117	672,598	3,861,787	-	-	-	-
Total governmental activities expenses	79,049,699	103,486,863	94,758,458	97,377,420	100,523,891	99,010,488	100,500,436	112,409,685	118,688,070
Business-type activities:									
Wastewater	6,323,695	6,359,767	6,301,012	6,304,213	6,162,912	6,464,670	6,561,949	6,975,203	6,696,533
Water	4,402,118	4,611,032	4,355,081	4,204,395	4,545,575	4,598,119	4,739,464	5,035,842	5,299,264
Gas	37,997,998	25,448,813	27,037,186	22,667,165	22,305,387	31,008,688	23,320,491	28,436,785	29,694,406
Electric	37,196,563	37,736,028	38,815,555	40,030,479	41,008,206	61,160,771	72,817,037	75,313,686	84,712,087
Nonmajor	4,229,726	4,295,274	4,293,078	4,488,681	4,901,655	5,393,641	5,836,847	6,313,481	6,586,104
Total business-type activities expenses	90,150,000	78,450,934	80,801,912	77,694,933	78,923,735	108,625,869	113,275,768	122,074,997	132,988,394
Total primary government expenses	\$ 169,199,699	\$ 181,937,797	\$ 175,560,370	\$ 175,072,353	\$ 179,447,626	\$ 207,636,357	\$ 213,776,224	\$ 234,484,682	\$ 251,676,464
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:	\$ -	\$ 5,109,983	\$ 4,316,677	\$ 4,853,085	\$ 5,000,863	\$ 5,103,657	\$ 5,685,591	\$ 5,727,677	\$ 6,071,953
General government	515,434	529,341	439,554	549,137	487,228	576,841	1,489,794	618,268	652,091
Judicial administration	3,977,864	264,842	381,372	191,826	242,548	219,838	231,309	312,503	201,788
Public safety	607,279	279,913	230,255	224,905	-	-	-	-	-
Public works	344,602	160,700	171,666	220,943	213,037	202,418	210,182	224,462	232,848
Health and welfare	116,566	-	-	-	-	-	-	83,151	-
Community development	200,236	3,155,683	-	-	-	-	-	-	-
Education	24,833,329	21,266,728	28,413,626	30,964,009	32,700,459	36,552,849	38,205,373	41,172,782	43,012,678
Operating grants and contributions	5,296,314	10,251,248	5,102,140	4,807,968	2,905,657	1,596,539	4,055,930	2,139,975	6,580,922
Capital grants and contributions	35,891,624	41,018,438	39,055,290	41,811,873	41,549,792	44,252,142	49,878,179	50,278,818	56,752,280
Total governmental activities program revenues									
Business-type activities:									
Charges for services:									
Wastewater	7,654,636	7,265,020	7,009,576	6,918,502	6,059,995	7,528,176	7,805,221	8,362,522	9,306,293
Water	5,557,279	5,578,086	5,388,944	5,223,867	5,075,326	6,117,848	7,012,772	7,142,932	6,930,045
Gas	42,596,777	27,526,419	30,029,152	25,999,471	25,211,996	33,414,367	26,290,132	32,949,771	32,501,486
Electric	53,234,742	51,759,880	54,793,952	55,491,259	53,740,917	72,751,817	88,910,376	90,181,855	98,949,812
Nonmajor	3,313,400	3,289,939	3,269,499	3,208,290	3,568,492	5,433,299	5,602,965	5,719,119	5,782,975
Operating grants and contributions	545,237	544,799	477,774	-	299,476	500,546	355,921	405,673	500,537
Capital grants and contributions	1,767,215	385,972	56,343	1,065,942	1,074,434	3,333,743	1,741,248	2,735,406	2,317,309
Total business-type activities program revenues	114,669,286	96,350,115	101,025,240	97,907,331	95,030,284	129,079,796	137,718,635	147,497,278	156,288,457
Total primary government program revenues	\$ 150,560,910	\$ 137,368,553	\$ 140,080,530	\$ 139,719,204	\$ 136,580,076	\$ 173,331,938	\$ 187,596,814	\$ 197,776,096	\$ 213,040,737
Net (expense)/revenue	\$ (43,158,075)	\$ (62,468,425)	\$ (55,703,188)	\$ (55,565,547)	\$ (58,974,099)	\$ (54,758,346)	\$ (50,622,257)	\$ (62,130,867)	\$ (61,935,790)
Governmental activities									

CITY OF DANVILLE, VIRGINIA  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS\*

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Business-type activities	24,519,286	17,899,181	20,223,328	20,212,398	16,108,549	20,453,927	24,442,847	25,422,281	23,300,063
Total primary government net expense	<u>\$ (18,638,789)</u>	<u>\$ (44,569,244)</u>	<u>\$ (35,479,840)</u>	<u>\$ (35,353,149)</u>	<u>\$ (42,867,550)</u>	<u>\$ (34,304,419)</u>	<u>\$ (26,179,410)</u>	<u>\$ (36,708,586)</u>	<u>\$ (38,635,727)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Taxes									
Property taxes	\$ 22,140,959	\$ 22,477,673	\$ 23,943,675	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246	\$ 26,590,389	\$ 26,487,289
Sales taxes	6,768,919	6,669,709	6,630,318	6,767,056	6,941,295	7,326,695	7,598,276	8,071,419	7,800,856
Business licenses	3,360,151	3,386,808	3,536,402	3,597,621	3,777,830	4,889,518	4,572,218	4,989,707	4,474,854
Utility taxes	3,158,029	3,334,340	3,435,728	3,896,209	4,237,844	4,246,590	2,654,769	994,536	1,013,694
Hotel and meals taxes	3,655,315	3,868,262	3,784,413	4,196,327	4,334,922	4,499,854	5,165,368	5,495,291	5,488,960
Recordation and bank stock taxes	955,818	889,675	907,760	895,694	982,914	1,109,217	946,397	948,038	862,181
Auto license and recordation taxes	1,017,775	923,851	1,021,664	1,005,918	983,762	895,776	1,034,987	1,047,044	1,055,948
Investment income	2,027,052	2,875,706	1,247,279	104,591	758,666	701,529	885,861	1,626,835	1,327,296
Miscellaneous	528,717	797,885	3,400,681	3,297,463	3,183,697	775,157	1,047,591	1,235,600	5,260,403
Transfers	9,890,532	10,563,001	10,557,137	10,529,984	10,405,773	12,326,396	12,783,444	13,376,878	13,361,140
Total governmental activities	<u>53,503,267</u>	<u>55,686,910</u>	<u>58,465,057</u>	<u>57,580,306</u>	<u>60,146,641</u>	<u>62,224,390</u>	<u>62,619,137</u>	<u>64,375,537</u>	<u>67,132,621</u>
Business-type activities:									
Investment income	3,658,526	2,406,942	2,686,690	78,404	1,471,314	1,481,092	3,452,939	2,610,753	2,023,614
Miscellaneous	9,897	438,549	1,411,779	858,612	1,961,662	823,241	1,856,551	2,240,166	2,698,079
Transfers	(10,158,049)	(10,563,001)	(10,557,137)	(10,529,984)	(10,405,773)	(12,326,398)	(12,783,444)	(13,376,878)	(13,361,141)
Total business-type activities	<u>(6,489,696)</u>	<u>(7,717,510)</u>	<u>(6,458,668)</u>	<u>(9,592,968)</u>	<u>(6,972,797)</u>	<u>(10,022,065)</u>	<u>(7,473,954)</u>	<u>(8,525,759)</u>	<u>(8,639,448)</u>
Total primary government	<u>\$ 47,013,631</u>	<u>\$ 47,969,400</u>	<u>\$ 52,006,389</u>	<u>\$ 47,987,338</u>	<u>\$ 53,173,844</u>	<u>\$ 52,202,325</u>	<u>\$ 55,145,183</u>	<u>\$ 55,849,778</u>	<u>\$ 58,493,173</u>
<b>Change in Net Assets</b>									
Governmental activities	\$ 10,345,192	\$ (6,781,515)	\$ 2,761,889	\$ 2,014,759	\$ 1,172,542	\$ 7,486,044	\$ 11,996,880	\$ 2,244,670	\$ 5,196,831
Business-type activities	18,029,650	10,181,671	13,764,660	10,619,430	9,133,752	10,431,862	16,968,893	16,896,522	14,660,615
Total primary government	<u>\$ 28,374,842</u>	<u>\$ 3,400,156</u>	<u>\$ 16,526,549</u>	<u>\$ 12,634,189</u>	<u>\$ 10,306,294</u>	<u>\$ 17,897,906</u>	<u>\$ 28,965,773</u>	<u>\$ 19,141,192</u>	<u>\$ 19,857,446</u>

\* Information prior to fiscal year ended June 30, 2001 is difficult to extract due to change in software.

**CITY OF DANVILLE, VIRGINIA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Other Local Taxes						Auto License & Recordation Taxes		Grand Total
	Property Taxes	Sales Taxes	Business License Taxes	Utility Taxes	Hotel & Meals Taxes	Recordation & Bank Stock Taxes	Recordation Taxes	Total	
2000	\$ 19,965,645	\$ 6,718,384	\$ 3,189,751	\$ 2,864,775	\$ 3,660,232	\$ 799,668	\$ 911,919	\$ 18,144,729	\$ 38,110,374
2001	19,453,031	6,768,919	3,360,151	3,158,029	3,655,315	955,818	1,017,775	18,916,007	38,369,038
2002	19,346,304	6,569,709	3,386,808	3,334,340	3,868,262	889,675	923,851	18,972,645	38,318,949
2003	24,045,407	6,630,318	3,536,402	3,435,728	3,784,413	907,760	1,021,664	19,316,285	43,361,692
2004	23,289,443	6,767,056	3,597,621	3,896,209	4,196,327	895,694	1,005,918	20,358,825	43,648,268
2005	24,540,038	6,941,295	3,777,830	4,237,844	4,334,822	982,914	983,762	21,258,467	45,798,505
2006	25,453,656	7,326,695	4,889,518	4,246,590	4,499,854	1,109,217	895,778	22,967,652	48,421,308
2007	25,930,246	7,598,276	4,572,218	2,654,769	5,165,368	946,397	1,034,967	21,971,995	47,902,241
2008	26,590,389	8,071,419	4,989,707	994,536	5,495,291	948,038	1,047,044	21,546,035	48,136,424
2009	26,487,289	7,800,856	4,474,854	1,013,694	5,488,960	862,181	1,055,948	20,696,493	47,183,782

City of Danville, Virginia  
Fund Balances of Governmental Funds  
Last Eight Fiscal Years\*  
(modified accrual basis of accounting)

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund									
Reserved	\$ 3,454,240	\$ 2,923,331	\$ 3,042,193	\$ 2,476,902	\$ 3,851,704	\$ 5,526,954	\$ 7,242,459	\$ 8,568,727	\$ 9,436,920
Unreserved	19,993,053	22,305,505	21,324,394	21,001,767	20,393,893	24,843,213	26,731,939	27,812,317	24,728,115
Total general fund	<u>\$23,447,293</u>	<u>\$25,228,836</u>	<u>\$24,366,587</u>	<u>\$23,478,669</u>	<u>\$24,245,597</u>	<u>\$ 30,370,167</u>	<u>\$ 33,974,398</u>	<u>\$ 36,381,044</u>	<u>\$ 34,165,035</u>
All other governmental funds									
Reserved	\$21,295,791	\$12,976,881	\$11,103,280	\$ 7,145,275	\$ 6,660,002	\$ 7,337,086	\$ 8,690,452	\$ 8,225,485	\$ 10,161,070
Unreserved, reported in:									
Special Revenue	180,020	186,782	119,308	85,419	272,853	10,660	10,660	10,660	10,660
Permanent Fund - Cemetery Maintenance	195,060	264,603	330,505	-	-	-	-	-	-
Total all other governmental funds	<u>\$21,670,871</u>	<u>\$13,428,266</u>	<u>\$11,553,093</u>	<u>\$ 7,230,694</u>	<u>\$ 6,932,855</u>	<u>\$ 7,347,746</u>	<u>\$ 8,701,112</u>	<u>\$ 8,236,145</u>	<u>\$ 10,171,730</u>

\* Information prior to June 30, 2001 is difficult to extract due to change in software.

**City of Danville, Virginia**  
**Changes in Fund Balances of Governmental Funds**  
**Last Nine Fiscal Years\***  
**(modified accrual basis of accounting)**

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>									
Property taxes	\$ 19,453,031	\$ 22,477,673	\$ 24,045,407	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246	\$ 26,556,332	\$ 27,085,091
Local taxes	18,916,007	18,972,645	19,316,285	20,358,825	21,258,467	22,963,374	21,971,995	21,546,035	20,696,492
Fines and forfeitures	536,455	526,315	480,224	487,400	430,796	505,328	541,399	560,327	564,204
Permits, privilege fees, and regulatory licenses	208,934	189,514	221,100	189,405	239,617	219,668	235,358	270,052	170,178
Revenue from use of money and property	2,977,310	2,311,815	1,826,965	680,314	1,185,015	957,075	2,194,319	2,013,713	2,753,033
Charges for services	4,251,374	4,827,539	4,573,521	3,555,551	3,689,094	3,511,114	3,770,733	3,562,920	3,679,665
Miscellaneous	878,030	1,116,101	877,071	2,937,622	2,538,070	2,600,487	1,838,547	1,014,896	5,006,274
Recovered costs	2,585,748	3,420,537	3,688,855	4,129,121	4,032,607	4,194,578	5,173,881	4,951,992	5,270,698
Intergovernmental	30,437,105	30,977,287	27,803,342	28,431,487	29,972,172	28,728,127	34,136,326	35,080,153	39,894,367
Total revenues	80,243,994	84,819,426	82,832,770	84,059,188	87,885,876	89,133,407	95,792,804	95,556,420	105,120,002
<b>Expenditures</b>									
General government	4,774,011	4,860,476	5,055,245	5,121,782	5,815,842	6,024,273	6,443,419	6,965,300	7,313,591
Judicial administration	4,038,651	4,200,274	4,123,767	4,242,578	4,409,910	4,584,788	5,128,684	5,379,273	5,423,448
Public safety	19,586,854	20,304,556	20,482,466	21,402,433	22,182,965	22,423,516	24,673,695	25,657,267	27,704,661
Public works	8,695,353	8,697,285	9,553,828	9,298,498	11,117,739	10,277,641	10,407,920	12,114,049	19,096,899
Health and welfare	7,966,954	9,059,091	9,690,249	10,483,034	10,495,688	11,808,295	15,352,675	13,675,562	14,066,073
Education	17,487,152	19,824,453	16,776,100	19,453,244	16,772,404	18,219,735	17,370,028	19,918,463	17,538,766
Parks, recreation, and cultural	4,776,271	4,807,819	5,249,673	5,509,938	4,833,862	5,131,578	6,144,838	5,150,624	5,266,742
Community development	3,779,514	3,382,732	3,410,345	3,937,381	4,464,673	6,512,278	3,026,397	4,164,824	4,284,071
Nondepartmental	2,613,717	3,030,177	4,320,956	3,356,058	3,861,787	3,301,482	3,542,949	3,952,931	4,370,594
Capital outlay	13,344,462	12,162,256	10,482,809	11,061,055	8,088,678	1,543,623	5,761,705	4,332,433	8,200,195
Debt service									
Principal	4,086,282	2,981,288	4,429,139	3,812,362	3,516,046	3,438,597	4,181,152	4,242,206	4,275,988
Interest	2,561,321	1,045,006	2,112,704	2,461,084	1,886,516	1,654,538	1,567,139	1,438,487	1,654,426
Total expenditures	93,700,542	94,455,413	95,687,281	100,139,447	97,446,110	94,920,344	103,600,601	106,981,419	119,195,454
Ratio of debt service to total expenditures	7.1%	4.3%	6.8%	6.3%	5.5%	5.4%	5.5%	5.3%	5.0%
Excess of revenues over (under) expenditures	(13,456,548)	(9,635,987)	(12,854,511)	(16,080,279)	(9,560,234)	(5,786,937)	(7,807,997)	(11,434,999)	(14,075,452)
<b>Other financing sources (uses)</b>									
Transfers in	13,523,636	13,729,573	15,238,926	15,086,335	17,068,419	16,878,713	20,753,576	20,415,323	24,236,283
Transfers out	(6,499,659)	(15,046,017)	(5,121,837)	(4,206,351)	(6,362,647)	(4,552,315)	(7,987,982)	(7,038,645)	(10,875,142)
Bonds issued	10,000,000	17,491,369	-	8,647,271	-	-	-	-	-
Refunding bonds issued	-	10,263,909	-	23,490,000	-	-	-	-	12,227,851
Payments to refunded bond escrow agent	-	(23,263,909)	-	(32,147,294)	-	-	-	-	(11,793,964)
Total other financing sources (uses)	17,023,977	3,174,925	10,117,089	10,869,961	10,705,772	12,326,398	12,765,594	13,376,678	13,795,028
Net change in fund balances	\$ 3,567,429	\$ (6,461,062)	\$ (2,737,422)	\$ (5,210,318)	\$ 1,145,538	\$ 6,539,461	\$ 4,957,597	\$ 1,941,679	\$ (280,424)

\* Information prior to June 30, 2001 is difficult to extract due to change in software.

**CITY OF DANVILLE**  
**MAJOR ENTERPRISE FUNDS - CHARGES FOR SERVICES**  
**FOR THE LAST TEN YEARS**

<b>Fiscal Year</b>	<b>Electric Fund</b>	<b>Gas Fund</b>	<b>Wastewater Fund</b>	<b>Water Fund</b>	<b>Total Major Enterprise Funds</b>
1999-00	\$ 51,885,648	\$ 26,097,977	\$ 7,516,719	\$ 5,541,802	\$ 91,042,146
2000-01	51,899,293	41,941,876	7,654,636	5,557,279	107,053,084
2001-02	51,772,550	27,509,613	7,267,220	5,601,798	92,151,181
2002-03	54,793,952	30,029,152	7,009,576	5,388,944	97,221,624
2003-04	55,491,259	25,999,471	6,918,502	5,223,867	93,633,099
2004-05	53,740,565	25,211,996	6,059,995	5,075,326	90,087,882
2005-06	72,751,817	33,414,367	7,528,176	6,117,848	119,812,208
2006-07	88,910,376	26,290,132	7,805,221	7,012,772	130,018,501
2007-08	90,181,855	32,949,607	8,362,522	7,142,932	138,636,916
2008-09	98,949,807	32,455,492	9,306,293	6,930,045	147,641,637

**CITY OF DANVILLE**  
**SCHEDULE OF ASSESSED PROPERTY VALUES**  
**FOR THE LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Assessed Value of Real Property (1)</u>	<u>Assessed Value of Personal Property (2)</u>	<u>Assessed Value of Machinery and Tools (2)</u>	<u>Assessed Value of Mobile Homes (2)</u>	<u>Assessed Value of Public Service Corp. (2)</u>	<u>Assessed Value of Aircraft (2)</u>	<u>Total Assessed Value</u>
2000	\$ 1,528,359,100	\$ 260,131,562	\$ 77,644,461	\$ 5,310,500	\$ 52,557,772	-	\$ 1,924,003,395
2001	1,574,720,000	265,599,262	91,355,628	5,351,056	52,559,426	-	1,989,585,372
2002	1,593,365,800	260,503,705	93,412,803	5,207,888	51,751,357	2,429,800	2,006,671,353
2003	1,740,967,100	257,461,270	94,486,913	4,663,036	51,413,068	3,869,920	2,152,871,307
2004	1,765,839,000	246,282,106	97,002,334	5,055,627	54,285,263	5,165,235	2,173,629,565
2005	1,864,447,500	257,033,492	90,504,892	4,977,283	52,021,885	4,306,540	2,273,291,592
2006	1,953,694,100	277,466,101	82,870,885	4,548,776	51,149,212	3,135,840	2,372,864,914
2007	2,067,848,400	291,749,737	79,708,821	4,261,308	50,697,018	3,394,102	2,497,659,386
2008	2,089,774,400	302,143,014	79,506,859	4,229,328	50,798,716	4,858,771	2,531,311,088
2009	2,252,885,600	272,726,836	84,884,957	4,347,353	45,683,587	4,218,048	2,664,746,381
Total direct rate applied for all years shown:							
	See note (3) below	\$3.00 per \$100	\$1.50 per \$100	See note (3) below	\$3.00 per \$100	\$0.30 per \$100	

- (1) Assessed on a fiscal year basis.
- (2) Assessed on a calendar year basis.
- (3)
- |             |                     |
|-------------|---------------------|
| 2000        | \$ 0.8125 per \$100 |
| 2001 - 2002 | \$ 0.785 per \$100  |
| 2003 - 2004 | \$ 0.80 per \$100   |
| 2005 - 2008 | \$ 0.77 per \$100   |
| 2009        | \$ 0.73 per \$100   |

**CITY OF DANVILLE, VIRGINIA  
PRINCIPAL REAL ESTATE TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	<u>2009</u>			<u>2000</u>		
	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Value<sup>1</sup></u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Value</u>
Danville Regional Medical Center LLC	\$ 73,954,100	1	3.28%			
Goodyear Tire and Rubber Company	33,191,000	2	1.47%	32,229,400	2	2.08%
Piedmont Mall LLC	31,091,100	3	1.38%	22,249,200	3	1.44%
NAP Coleman Marketplace LLC	23,593,900	4	1.05%			
Daniel Group Inc.	19,125,800	5	0.85%			
Nestle USA Inc. (formerly Carnation Co.)	10,749,200	6	0.48%	8,265,300	8	0.53%
Sams Real Estate Business Trust	10,113,800	7	0.45%			
Riverside Shopping Center LP	9,947,700	8	0.44%			
Revenue Properties of Danville LLC	9,906,800	9	0.44%			
Wal-Mart Real Estate Business Trust	9,724,200	10	0.43%	7,986,100	10	0.52%
Lorillard Tobacco Company	8,300,600	11	0.37%	10,478,000	6	0.68%
Finlay Interests 5 LTD <sup>2</sup>	8,208,400	12	0.36%			
Dan Shopping Center Inc	7,866,300	13	0.35%	6,303,800	12	0.41%
Marshall, Robert & Margaret D. (Rev Trust)	7,503,000	14	0.33%			
Belk Stores of Virginia	7,309,800	15	0.32%	7,490,900	11	0.48%
Dan River Inc.				44,588,300	1	2.88%
General Development Co., Inc				20,552,200	4	1.33%
Dibrell Brothers Inc.				11,732,500	5	0.76%
Southern Processors				8,364,400	9	0.54%
Sears, Roebuck and Co.				6,099,500	13	0.39%
MJRW Inc.				5,881,200	15	0.38%
Lowe's Home Centers, Inc.				8,374,800	7	0.54%
Stratford House				6,019,200	14	0.39%
	<u>\$ 270,585,700</u>		<u>12.01%</u>	<u>\$ 206,614,800</u>		<u>13.33%</u>

<sup>1</sup> Total 2009 Assessed Real Estate Value is \$2,252,885,600 for the City of Danville.

<sup>2</sup> Finlay Interests 5 Ltd qualifies under the City's Rehabilitated Tax Abatement Program. The Real Estate Taxes will be based on only \$816,700 of the total assessed value.



**CITY OF DANVILLE, VIRGINIA  
REAL PROPERTY TAX LEVIES AND COLLECTIONS  
FOR THE LAST TEN YEARS**

Fiscal Year	Tax Rate Per \$100	Original Levy (1)	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due (1)	Uncollected at End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due (1)	Collections & Adjustments After Month in which 2nd Half Tax Due (1)	Uncollected Balance June 30, 2009	Percentage of Original Levy Uncollected June 30, 2009
2000	\$ 0.8125	\$ 12,417,949	\$ 11,763,590	\$ 654,359	5.27	\$ 630,515	\$ 23,844	0.19
2001	0.785	12,361,615	11,646,307	715,308	5.79	685,054	30,254	0.24
2002	0.785	12,507,984	11,779,079	728,905	5.83	688,541	40,364	0.32
2003	0.8	13,927,737	13,103,406	824,331	5.92	770,065	54,266	0.39
2004	0.8	14,126,712	13,185,128	941,584	6.67	873,595	67,990	0.48
2005	0.77	14,356,246	13,540,558	815,688	5.68	723,117	92,571	0.64
2006	0.77	15,043,445	14,242,460	800,985	5.32	683,315	117,670	0.78
2007	0.77	15,922,433	14,964,100	958,333	6.02	773,120	185,213	1.16
2008	0.77	15,980,915	15,126,749	854,166	5.34	474,873	379,293	2.37
2009	0.73	16,320,733	15,419,024	901,709	5.52	-	901,709	5.52

(1) Real Estate taxes are assessed on a fiscal year basis with 1st half taxes due December 5th and 2nd half taxes due June 5th.

**CITY OF DANVILLE, VIRGINIA  
PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS  
FOR THE LAST TEN YEARS**

Year	Tax Rate Per \$100	Levy (1)	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due	Uncollected at End of Month in which 2nd Half Tax Due	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due	Collections & Adjustments After Month in which 2nd Half Tax Due	Uncollected Balance June 30, 2009 (2)	Percentage of Original Levy Uncollected June 30, 2009
2000	3.00	\$ 9,063,512	\$ 8,799,350	\$ 264,162 (3)	2.91 (3)	\$ 264,162	-	-
2001	3.00	9,386,391	9,113,208	273,183 (3)	2.91 (3)	273,183	-	-
2002	3.00	9,283,231	9,052,351	230,880 (3)	2.49 (3)	230,880	-	-
2003	3.00	9,227,252	9,034,063	193,189 (3)	2.09 (3)	193,189	-	-
2004	3.00	8,897,075	8,259,740	637,335 (3)	7.16 (3)	559,821	77,513	0.87
2005	3.00	9,112,715	8,826,339	286,376 (3)	3.14 (3)	165,872	120,505	1.32
2006	3.00	9,581,768	9,238,435	343,333 (3)	3.58 (3)	250,511	92,822	0.97
2007	3.00	9,722,045	9,391,605	330,440 (3)	3.40 (3)	167,731	162,709	1.67
2008	3.00	10,114,292	9,837,085	277,207 (3)	2.74 (3)	-	277,207	2.74
2009	3.00	9,360,208	3,086,474	6,273,733 (4)	67.03 (4)	-	6,273,733	67.03

(1) Beginning on January 1, 1999, the City has levied taxes on a calendar year basis with 1st half taxes due June 5th and 2nd half taxes due December 5th.

(2) According to state law uncollected personal property taxes are collectible five years following the year of levy.

(3) Personal property tax uncollected reported as of June 30 of subsequent fiscal year.

(4) This includes second half of the tax levy which is not due until December 5th and also the Personal Property Tax Relief Act (PPTRA) funds from the Commonwealth of Virginia. PPTRA funds amounting to \$3,593,576 are received in three installments during July, August, and November each year; therefore, are shown as uncollected at June 30.

**CITY OF DANVILLE, VIRGINIA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Bond Debt Per Capita	Ratio of Bond Debt to Danville MSA Personal Income <sup>1</sup>
	General Obligation Bonds	Lease Revenue Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases				
2000	\$ 37,130,303	\$ 18,385,000	\$ -	\$ 10,571,234	\$ 46,675,207	-	\$ 112,761,744	2,246	47.70	
2001	34,189,347	17,880,000	758,478	9,858,952	43,548,657	-	106,235,434	2,194	44.11	
2002	46,081,284	17,124,015	1,400,000	9,065,380	40,845,037	-	114,515,716	2,431	45.20	
2003	42,352,275	16,381,472	223,163	8,256,918	37,583,274	-	104,797,102	2,225	40.14	
2004	39,269,396	12,622,935	45,718	7,628,686	35,081,625	-	94,648,360	2,031	35.35	
2005	35,666,775	11,841,989	-	6,990,317	31,770,451	-	86,269,532	1,880	30.94	
2006	32,105,970	11,047,929	-	6,349,929	37,001,542	-	86,505,370	1,875	31.02	
2007	28,488,092	10,230,059	-	5,708,574	38,073,432	-	82,500,157	1,810	29.59	
2008	24,819,277	9,394,098	-	5,133,548	33,909,608	-	73,256,531	1,614	26.51	
2009	22,068,904	8,535,748	-	4,575,890	40,766,777	-	75,947,319	1,682	26.59	

<sup>1</sup> Danville MSA includes Danville and Pittsylvania County.

**CITY OF DANVILLE, VIRGINIA**  
**RATIO OF BONDED DEBT TO ASSESSED VALUES AND BONDED DEBT PER CAPITA**  
**FOR THE LAST TEN YEARS**

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt		Ratio of Bonded Debt To Assessed Value		Bonded Debt Per Capita	
			General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities
2000	48,411	\$ 1,528,359,100	\$ 37,130,303	\$ 57,246,441	2.43	3.75	766.98	1,182.51
2001	48,411	1,574,720,000	34,189,347	53,407,609	2.17	3.39	706.23	1,103.21
2002	48,411	1,593,365,800	46,081,284	49,910,417	2.89	3.13	951.88	1,030.97
2003	48,411	1,740,967,100	42,352,275	45,840,192	2.43	2.63	874.85	946.90
2004	46,600	1,765,839,000	39,269,396	42,710,311	2.22	2.42	842.69	916.53
2005	45,900	1,864,447,500	35,666,775	38,760,768	1.91	2.08	777.05	844.46
2006	46,143	1,953,694,100	32,105,970	43,351,471	1.64	2.22	695.79	939.50
2007	45,586	2,067,848,400	28,488,092	43,782,006	1.38	2.12	624.93	960.43
2008	45,385	2,089,774,400	24,819,277	39,043,156	1.19	1.87	546.86	860.27
2009	45,152	2,252,885,600	22,068,904	45,342,667	0.98	2.01	488.77	1,004.22

Note: The above bonded debt excludes Lease Revenue Bonds and Capital Leases for equipment and other obligations which are subject to appropriation of funds by City Council for payment of debt service.

CITY OF DANVILLE, VIRGINIA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit (10% of assessed value)	\$158,063,953	\$157,472,000	\$159,336,580	\$174,096,710	\$176,583,900	\$186,444,750	\$195,369,410	\$206,784,840	\$208,977,440	\$225,288,560
Gross bond debt	94,376,744	87,596,956	95,991,701	88,192,467	81,979,707	74,427,543	75,457,441	72,270,098	63,862,433	67,411,571
Less bond debt not applicable to limit:										
Section 10 Bonds	75,000									
Revenue Bonds	10,571,234	9,858,952	9,065,380	8,256,918	7,628,886	6,990,317	6,349,929	5,708,574	5,133,548	4,575,890
Total debt not applicable to limit	10,646,234	9,858,952	9,065,380	8,256,918	7,628,886	6,990,317	6,349,929	5,708,574	5,133,548	4,575,890
Total net debt applicable to limit	83,730,510	77,738,004	86,926,321	79,935,549	74,351,021	67,437,228	69,107,512	66,561,524	58,728,885	62,835,681
Legal debt margin	\$74,333,443	\$79,733,996	\$72,410,259	\$94,161,161	\$102,232,879	\$119,007,524	\$126,261,898	\$140,223,316	\$150,248,555	\$162,452,879
Total net debt applicable to the limit as a percentage of debt limit	52.97%	49.37%	54.56%	45.91%	42.11%	36.17%	35.37%	32.19%	28.10%	27.89%
Total net debt applicable to the limit as a percentage of assessed value	5.30%	4.94%	5.46%	4.59%	4.21%	3.62%	3.54%	3.22%	2.81%	2.79%

The City's Debt Management Policy states: Total general obligation net debt will not exceed 7.5% of the assessed valuation of the real property in the City of Danville.

**CITY OF DANVILLE  
SCHEDULE OF UTILITY REVENUE BOND COVERAGE  
FOR THE LAST TEN YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Gross Revenue (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements (3)</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2000	\$ 93,589,661	\$ 63,683,390	\$ 29,906,271	\$ 772,063	\$ 683,601	\$ 1,455,664	20.54
2001	110,711,610	77,683,958	33,027,652	781,443	479,267	1,260,710	26.20
2002	94,938,429	65,790,877	29,147,553	793,573	444,553	1,238,126	23.54
2003	99,876,892	68,128,146	31,748,746	808,462	406,581	1,215,043	26.13
2004	93,618,466	64,551,919	29,066,547	628,232	345,917	974,149	29.84
2005	91,551,655	64,946,537	26,605,118	638,369	293,344	931,713	28.56
2006	122,978,875	94,409,837	28,569,038	640,388	267,776	908,164	31.46
2007	134,864,905	97,930,083	36,934,822	641,355	242,102	883,457	41.81
2008	142,592,168	106,285,500	36,306,668	575,026	216,425	791,451	45.87
2009	151,047,640	112,334,067	38,713,572	557,658	194,366	752,025	51.48

(1) Total revenue includes interest earned and other miscellaneous revenues.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the utility funds.

**CITY OF DANVILLE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
FOR THE LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>% of Population with Bachelor's Degree or Higher (4)</u>	<u>School Enrollment (5)</u>	<u>Danville MSA Personal Income (6)</u>	<u>% Unemploy- ment Rate (7)</u>
2000	48,411	\$ 21,280	34.5	N/A	7,691	\$ 2,364,127	6.80
2001	48,411 est.	21,280	40.5	N/A	7,659	2,408,584	7.70
2002	48,411 est.	21,280 est.	40.5 est.	N/A	N/A	2,533,518	9.60
2003	48,411 est.	21,280 est.	40.1	5.3	7,668	2,611,053	10.90
2004	46,600 est.	21,280 est.	40.5	13.9	7,232	2,677,216	12.30
2005	45,900 est.	21,280 est.	40.5	13.9	7,114	2,788,486	10.80
2006	46,143 est.	25,037 est.	40.5	13.9	6,951	2,788,486	est. 10.60
2007	45,586 est.	25,037 est.	40.5	13.9	6,904	2,788,486	est. 7.20
2008	45,385 est.	26,008 est.	40.5	13.9	6,606	2,763,550	8.90
2009	45,152 est.	26,008 est.	40.5	13.9	6,303	2,855,919	14.40

(1) Source: 1998 through 1999, Weldon Cooper Center for Public Services, University of Virginia.  
2000 from U.S. Bureau of Census.  
2001-2008, Weldon Cooper Center for Public Services, University of Virginia.

(2) Source: Weldon Cooper Center for Public Service, University of Virginia.  
Data includes both the City of Danville and Pittsylvania County.  
2001 - 2009 estimated projections

(3) Source: Weldon Cooper Center for Public Service, University of Virginia.

(4) Source: 2000 U.S. Census Bureau. Profile of Selected Social characteristics.  
Percent based on population 25 years and over.

(5) Source: 1997 through 2000, Danville City Schools.  
2001-2003 through National Center for Education Statistics.  
2004-2009 through Weldon Cooper Center for Public Services, University of Virginia.  
Includes Grades K-12.

(6) Source: Weldon Cooper Center for Public Service, University of Virginia & Bureau of Economic Analysis (BEA).  
Danville MSA includes Danville and Pittsylvania County.

(7) Source: Virginia Employment Commission, June 2009.

**City of Danville, Virginia  
Principal Employers  
Current Year and Nine Years Ago**

<b><u>Employer</u></b>	<b><u>2009</u></b>			<b><u>2000</u></b>		
	<b><u>Employees<sup>1</sup></u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment<sup>3</sup></u></b>	<b><u>Employees<sup>2</sup></u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment<sup>3</sup></u></b>
City of Danville	2,541	1	9.14%	1,950	3	6.90%
Goodyear Tire & Rubber Co.	2,000	2	7.20%	2,550	2	9.02%
Danville Regional Health System	1,339	3	4.82%	1,360	4	4.81%
Telvista	780	4	2.81%			
Nestle Refrigerated Food	575	5	2.07%	300	7	1.06%
Wal-Mart	474	6	1.71%			
Averett University	400	7	1.44%			
Food Lion	376	8	1.35%			
Roman Eagle Memorial Home	363	9	1.31%			
Danville Community College	356	10	1.28%			
Intertape Polymer				235	9	0.83%
Dan River, Inc.				4,500	1	15.92%
Health-Tex, Inc.				583	6	2.06%
Dimon				731	5	2.59%
Corning Glass Works				250	8	0.88%
C.M. Offray & Son, Inc.				225	10	0.80%

<sup>1</sup> Source: City of Danville, Office of Economic Development.

<sup>2</sup> Source: The Official Statement for 98-99 General Obligation Bond (4,100,000) Series issued March 1999.

<sup>3</sup> Source: Virginia Employment Commission - total employment for 2009 (27,797) and 2000 (28259).



**CITY OF DANVILLE, VIRGINIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund										
General Government Administration	88	88	88	88	96	97	97	98	98	102
Judicial Administration	88	89	89	92	94	95	98	98	97	97
Public Safety	362	366	403	402	403	403	403	403	406	406
Public Works	107	107	110	110	110	110	110	111	111	111
Health, Welfare & Social Services	96	98	98	98	100	100	100	101	101	101
Park, Recreational and Cultural	61	63	65	65	64	49	49	49	49	49
Community Development	6	6	11	12	18	18	18	18	19	19
Total General Fund	808	817	864	867	885	872	875	878	881	885
Wastewater Fund	11	11	11	11	11	11	11	11	11	11
Water Fund	16	16	16	16	16	16	16	16	16	16
Gas Fund	55	55	55	56	56	56	55	55	55	55
Electric Fund	113	115	115	115	115	115	116	114	114	114
Telecommunications Fund	-	-	-	-	-	-	-	2	2	4
Transportation Fund	18	17	17	17	17	17	17	16	16	16
Central Services Fund	4	4	4	4	4	4	4	4	4	4
Motorized Equipment Fund	23	23	23	23	22	22	22	22	22	20
Sanitation Fund	56	56	53	53	53	57	53	53	46	43
Cemetery Fund	-	-	-	-	-	16	16	16	16	16
Total Other Funds	296	297	294	295	294	314	310	309	302	299
Total	1,104	1,114	1,158	1,162	1,179	1,186	1,185	1,187	1,183	1,184

Source: City Council Approved Budget - Authorized Positions

City of Danville, Virginia  
Operating Indicators and Capital Asset Statistics by Function  
Last Nine Fiscal Years\*

Date of Incorporation Form of Government Area in Square Miles	1830 Council / Manager 44								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of Employees (Full & Part-Time)	1260	1,251	1,240	1,240	1,173	1,219	1,212	1,237	1,267
Name of Government Facilities and Services:									
Miles of streets	309	311	314	314	315	315	316	316	318
Number of street lights	8,378	8,394	8,407	8,477	8,703	8,485	8,483	8,804	8,804
Culture and Recreation:									
Recreation Centers	11	11	12	12	12	12	12	10	10
Number of parks	9	9	9	9	10	10	10	10	11
Park Acreage	337	344	344	344	349	349	349	466	575
Number of trails	8	10	10	11	8	8	8	8	8
Trail Mileage	7	9	9	10	18	25	25	28	28
Number of athletic fields	21	23	23	23	23	23	23	31	31
Athletic field acreage	40	45	45	45	45	45	45	49	49
Number of playgrounds	24	24	24	24	24	24	24	22	20
Playground acreage	69	88	88	88	88	74	74	74	74
Number of outdoor basketball courts	8	8	10	10	10	10	10	12	10
Number of tennis courts	4	19	19	19	19	19	19	21	21
Fire Protection:									
Number of stations	7	7	7	7	7	7	7	7	7
Number of fire personnel and officers	122	123	123	123	123	123	123	123	123
Number of calls answered	4,296	4,370	4,529	4,648	4,734	4,860	5,002	5,143	5,176
Number of inspections conducted	3,185	3,172	2,935	2,542	3,170	2,821	2,152	1,030	1,569
Police Protection:									
Number of stations	3	3	3	3	3	3	3	3	2
Number of police officers	141	139	139	139	137	137	137	137	136
Number of patrol units	24	12	12	12	12	40	53	53	53
Number of law violations:									
Physical arrests	8,010	8,371	8,499	6,399	7,075	7,253	7,434	5,840	7,427
Traffic violations	12,120	8,956	7,780	6,481	5,498	6,127	6,571	7,896	8,276
Parking violations	3,144	2,464	2,179	1,831	1,178	2,132	2,515	1,813	1,599

\* Information prior to June 30, 2001 is difficult to extract due to change in software.

\*Source: Questionnaires sent to various department heads, Danville City Schools, and Danville Regional Medical Center.

\*Information prior to June 30, 2001 is difficult to extract due to change in software.

Source: Questionnaires sent to various department heads, Danville City Schools, and Danville Regional Medical Center.

City of Danville, Virginia  
Operating Indicators and Capital Asset Statistics by Function  
Last Nine Fiscal Years\*

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Sewerage System:</b>									
Miles of sanitary sewers	350	350	354	384	384	384	386	386	386
Number of treatment plants	1	1	1	1	1	1	1	1	1
Number of service connections	16,944	17,047	17,194	17,302	16,883	16,651	16,589	16,665	16,665
Average daily treatment									
- Million Gallons per Day (MGD)	12.50	12.44	13.99	13.57	10.54	6.26	5.46	5.95	6.71
Maximum daily capacity of treatment plant - MGD	24	24	24	24	24	24	24	24	24
<b>Water System:</b>									
Miles of water mains	308.52	310.10	310.11	311.99	312.37	312.37	317.15	319.00	319.39
Active number of service connections	18,041	18,047	17,957	17,949	17,956	17,880	17,826	17,942	19,029
Number of fire hydrants	1,889	1,902	1,909	1,930	1,945	1,951	1,967	2,029	2,050
Average daily consumption - MGD	7.30	7.75	7.88	7.54	6.76	6.38	6.39	4.76	5.79
Maximum daily capacity of treatment plant - MGD	18	18	18	18	18	18	18	18	18
<b>Electric Distribution System:</b>									
Square Miles of service	500	500	500	500	500	500	500	500	500
Number of distribution stations	16	16	16	16	14	14	14	14	14
<b>Facilities and services not included in the primary government:</b>									
<b>Education:</b>									
Number of preschools	-	-	-	-	-	1	1	1	1
Number of elementary schools	10	10	10	10	10	9	9	9	9
Number of middle schools	3	3	3	3	3	3	3	3	3
Number of high schools	1	1	2	2	2	2	2	2	2
Number of alternative schools	1	1	1	1	1	1	1	1	1
Number of preschool instructors						21	18	19	22
Number of elementary school instructors	389	389	388	271	276	255	250	251	254
Number of middle school instructors				136	136	134	137	144	134
Number of high school instructors				202	188	186	183	182	174
Number of secondary school instructors	280	260	252						
<b>Facilities and services not included in the reporting entity:</b>									
<b>Hospitals:</b>									
Number of hospitals	1	1	1	1	1	1	1	1	1
Number of patient beds	350	350	350	350	350	350	350	350	290

\*Information prior to June 30, 2001 is difficult to extract due to change in software.

Source: Questionnaires sent to various department heads, Danville City Schools, and Danville Regional Medical Center.

# SINGLE AUDIT

***Report On Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards***

Board of Directors  
***City of Danville, Virginia***

We have audited the financial statements of ***City of Danville, Virginia*** as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered ***City of Danville, Virginia's*** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***City of Danville, Virginia's*** internal control over the financial reporting. Accordingly, we do not express an opinion on the effectiveness of ***City of Danville, Virginia's*** internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether *City of Danville, Virginia's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Governor & Company, LLP*

Danville, Virginia  
November 30, 2009



***Report on Compliance With  
Requirements Applicable to Each Major Program and on  
Internal Control Over Compliance in Accordance  
With OMB Circular A-133***

Board of Directors  
***City of Danville, Virginia***

***Compliance***

We have audited the compliance of ***City of Danville, Virginia*** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2009. ***City of Danville, Virginia's*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the management of ***City of Danville, Virginia***. Our responsibility is to express an opinion on ***City of Danville, Virginia's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***City of Danville, Virginia's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of ***City of Danville, Virginia's*** compliance with those requirements.

In our opinion, ***City of Danville, Virginia*** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

***Internal Control Over Compliance***

The management of ***City of Danville, Virginia*** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ***City of Danville, Virginia's*** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***City of Danville, Virginia's*** internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *City of Danville, Virginia's* ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by *City of Danville, Virginia's* internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by *City of Danville, Virginia's* internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within *City of Danville, Virginia*, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Gordon & Company, LLP*

Danville, Virginia  
November 30, 2009



***Report on Compliance with the Commonwealth of  
Virginia's Laws, Regulations, Contracts and Grants***

To The Honorable Mayor and Members of City Council  
*City of Danville, Virginia*

We have audited the basic financial statements of the *City of Danville, Virginia*, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with the Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the *City of Danville, Virginia*, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Enhanced 911 Services Tax

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Highway Maintenance Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended solely for the information of City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Gouvanon & Company, LLP*

Danville, Virginia  
November 30, 2009

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b><u>CITY OF DANVILLE</u></b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Social Services:		
State administrative matching grants for food stamp program	10.561	\$ 654,006
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Direct payments:		
Community development block grant program and entitlement grants	14.218	1,027,761
HOME investment partnership program	* 14.239	590,483
Lead based paint hazard control	14.900	108,117
<b>DEPARTMENT OF JUSTICE</b>		
Direct payments:		
Crime victim assistance	16.575	30,382
Allocation to State (Title II)	16.540	68,843
Cops Technology Grant	16.710	47,306
Justice Assistance Act Grant Program	16.738	15,354
<b>DEPARTMENT OF TRANSPORTATION</b>		
Direct payments:		
Airport improvements	* 20.106	3,907,218
National Recreation Trails	20.219	71,600
Safe Driving Program for Older Americans	20.600	22,149
Highway Safety	20.602	3,842
Police Department	20.607	26,454
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>		
Department of Emergency Services		
Emergency Management Preparedness Grant	97.042	27,013
State Domestic Preparedness Equipment Support	97.004	34,228
Assistance to Firefighters	97.044	86,639
Homeland Security	97.073	72,187
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Department of Social Services:		
Temporary assistance for needy families	* 93.558	742,432
Low income energy assistance	93.568	33,267
Child care and development block grant	* 93.575	529,516
Refugee and entrant assistance	93.566	1,474
Independent living	93.674	20,999
State Children's Insurance Program (SCHIP)	93.767	48,466
Aging Title III-B	93.044	93,648
Department of Social Services:		
Child care and development fund	* 93.596	468,965
Foster care - Title IV-E	93.658	781,660
Adoption assistance	93.659	194,674
Social services block grant	93.667	405,714
Medicaid assistance program-Administrative expenses only	93.778	437,047
Promoting Safe & Stable Families	93.556	40,942

(Continued on next page)

## CITY OF DANVILLE, VIRGINIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
Chafee education & Training Vouchers Program	93.599	3,994
Child welfare services-state grant	93.645	4,982
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block grants for community mental health services	93.958	90,762
Block grants for prevention and treatment of substance abuse	93.959	780,433
Total assistance - City of Danville		\$ 11,472,557
<b><u>DANVILLE PUBLIC SCHOOLS</u></b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Education:		
School breakfast program	10.553	\$ 643,718
National school lunch program	10.555	1,757,820
Department of Agriculture and Consumer Services		
Food distribution - donated commodities	10.555	226,902
<b>DEPARTMENT OF EDUCATION</b>		
Department of Education:		
Adult education - state administered basic grant program	84.002	148,067
Title I grants to local education agencies	84.010	2,743,973
Detention Facilities	84.013	31,392
Special education - grants to states	84.027	1,520,645
Vocational education - consumer and homemaking education	84.048	104,823
Special education - preschool grants	84.173	70,300
Safe and drug - free schools - state grants	84.186	73,768
Title IV innovative education program	84.298	18,772
Technology literacy challenge grant	84.318	25,019
English language acquisition grants	84.365	25,562
Improving teacher quality state grants	* 84.367	646,401
Part C funds	84.181	116,596
Gear Up	84.UNK	61,663
Total assistance - Danville Public Schools		\$ 8,215,421
Total assistance - reporting entity		\$ 19,687,978

\* Denotes Major Program

See report of independent auditors

**CITY OF DANVILLE, VIRGINIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**June 30, 2009**

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***Summary of Significant Accounting Policies***

The accompanying Schedule of Expenditures is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the City's basic financial statements. However, due to the City's involvement in determining eligibility, they are considered federal awards to the City and are included on this schedule.

***Federal Cognizant Agency***

The Federal Cognizant Agency for the City of Danville, Virginia is the United States Department of Health and Human Services.

***Subrecipients***

The City provided the following amounts to subrecipients during FY 2009:

Program Title	CFDA	Amount
Block grants for prevention and treatment of substance abuse	93.959	\$ 780,433

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2009**

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**Summary of Auditor's Results:**

*Financial Statements*

The type of report issued on the financial statements: Unqualified

Internal control over financial reporting

- Material weaknesses identified: None
- No significant deficiencies noted in internal control to disclose

Noncompliance material to the financial statements noted: None

*Federal Awards*

Internal control over major programs

- Material weaknesses identified: None reported
- No significant deficiencies noted in internal control over major programs to disclose

The type of report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of

OMB Circular A-133: No

Major programs:

- Childcare and development fund (93.596)
- Childcare and development block grant (93.575)
- HOME (14.239)
- Title II – Part A (84.367)
- Airport Improvements (20.106)
- Temporary assistance for needy families (93.558)

Dollar threshold used to distinguish between Type A and Type B programs: \$590,639

Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133?: Yes

(Continued on next page)

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2009**

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**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS WHICH ARE REQUIRED TO  
BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL  
AUDITING STANDARDS**

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

No findings reported in the prior year.